

# Herald Tribune

INTERNATIONAL



# TODAY: **MONDAY**

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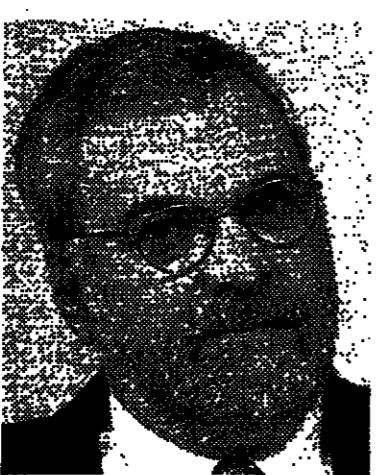
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Paris, Saturday-Sunday, January 24-25, 1998

No. 35,737



TV crews lighting up along the West Wing driveway as the media zoomed in on the White House this week.



William Ginsburg on TV Friday.

## ON PAGE 5



Vernon Jordan giving his side.

## Botha, Defiant As Ever, Warns Of Wrath of the White Minority

By Lynne Duke  
Washington Post Service

GEORGE, South Africa — On the opening day of his unprecedented criminal case for defying the nation's Truth Commission, former President Pieter W. Botha spat fire and brimstone reminiscent of his leadership of the old apartheid state, warning that the wrath of the "tiger" within the white minority was being awakened.

Striking the racially moralistic tone that is his trademark, Mr. Botha stood before the press and enveloped himself in the discredited philosophies of apartheid, the doctrine of racial separation that was dismantled in 1994, his successor, Frederik W. de Klerk, allowed the nation's first all-race election in 1994.

"I'm not prepared to apologize" for the policies he pursued to preserve the white nation, said Mr. Botha, 82. "I only apologize for my sins before God."

He warned of the "forces of chaos, communism and socialism" — his government's characterization of the black liberation "onslaught."

Referring to the crime and misman-



A vociferous Mr. Botha on Friday.

agement that have plagued the new democracy since apartheid ended in 1994, Mr. Botha said: "I'm still concerned about the onslaught. What I prophesied came true."

Mr. Botha's remarks came after the close of a brief pretrial court appearance that marked the start of the first prosecution of an apartheid-era South African president. Mr. Botha, who erected all manner of bureaucratic and security

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## Pope Assails U.S. Embargo As Harmful to Cuban Poor

But He Says Sanctions Don't Explain All Woes

Compiled by Our Staff From Dispatches

CAMAGUEY, Cuba — Pope John Paul II criticized the U.S. economic embargo against the Castro government on Friday, saying that such sanctions were "always deplorable because they hurt the most needy," but he also cautioned the Cuban people against using the embargo as an excuse for all their woes.

The Pope continued a trip that gives encouragement to both friends and foes of the Castro government, the Vatican announced that Cuban officials had agreed to consider freeing some prisoners who had sought the Pope's intercession.

Tens of thousands of flag-waving Cubans welcomed the Pope in a broad, palm tree-lined plaza in Camaguey,

where he said the second Mass of his visit. To the right of the altar stage was a bas-relief featuring images of Fidel Castro, Ernesto (Che) Guevara and other heroes of the 1959 revolution that swept the Communists into power.

The Pope is also scheduled to celebrate outdoor Masses in Santiago de Cuba on Saturday and in Havana on Sunday.

The reference to the embargo was made in a written message delivered to a delegation of young Roman Catholics at the Mass in Camaguey. John Paul, 77, did not read it aloud.

The papal spokesman, Joaquin Navarro-Valls, said the Pope would be more outspoken regarding the embargo in the coming days.

The Pope has long opposed all economic embargoes and has previously criticized the 35-year-old U.S. measure against Havana, aimed at forcing political change in the Communist-ruled island 145 kilometers (90 miles) from Florida.

In the message and in his spoken homily, also directed at the country's youth, the Pope urged Cubans suffering under a prolonged economic crisis to turn to faith and not give in to hopelessness or the lure of money, drugs and sex.

"What can I say to you, young people of Cuba who live under material con-

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## AGENDA

### Pakistani Sentenced To Die for CIA Killings

FAIRFAX, Virginia — A judge sentenced Mir Aimal Kasi, a Pakistani citizen, to death Friday for killing two Central Intelligence Agency employees outside CIA headquarters near Washington in January 1993. Circuit Court Judge J. Howe Brown said he accepted a jury's Nov. 14 recommendation that Mr. Kasi be executed.

The reference to the embargo was made in a written message delivered to a delegation of young Roman Catholics at the Mass in Camaguey. John Paul, 77, did not read it aloud.

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'PEANUTS' — That's what Yasir Arafat, speaking to reporters Friday in Washington, called an Israeli pullout offer. Page 3.

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## Huddled Masses Welcome, But Not if They Look Poor

Tourists Illegally Kept Out of U.S., Judge Rules

By Philip Shonan  
New York Times Service

WASHINGTON — Jose Bayeux, a 24-year-old technician in Brazil, said he wanted to travel to Miami and Disney World for a vacation in 1994. He applied for a tourist visa at the U.S. Consulate in Sao Paulo, Brazil's largest city.

"Slimy looking," an American diplomat wrote on the visa form, denying Mr. Bayeux's application. "Wears jacket on shoulders w/carrying."

Elaine Archans, 23, a Brazilian office worker who said she wanted to visit the United States to see the World Cup soccer championships in 1994, fared no better.

"LPI!!!," a diplomat wrote on her application, using the consulate's abbreviation for "looks poor." Other applicants who were denied visas were routinely labeled as "TP" (talks poor) or "LR" (looks rough).

The visa denials of hundreds of Brazilians from 1992 to 1994 are at the heart of a court battle here that has left a federal judge questioning whether the

State Department is illegally refusing to issue visas to foreigners solely because of their skin color, their ethnic background, or the way they look — down to the clothes and jewelry they wear.

The judge, Stanley Sporkin of U.S. District Court in Washington, said in a decision last month that the visa policies in Sao Paulo, Brazil's largest city.

"Slimy looking," an American diplomat wrote on the visa form, denying Mr. Bayeux's application.

The ruling was a victory for a former diplomat in the consulate, Robert Olsen, who was dismissed by the State Department in 1993 on charges he had failed to carry out his duties as a visa officer.

The visa policies "instruct visa officials to rely heavily upon factors such as physical appearance and national origin when adjudicating the applications," Judge Sporkin wrote. "The principle that government must not discriminate against particular individuals

See VISA, Page 4



## Guilty Plea by Unabomber Leaves His Victims' Families Bittersweet

By David W. Chen  
New York Times Service

NEW YORK — For those maimed or deprived of loved ones by packages meticulously assembled by the Unabomber, the guilty plea by Theodore Kaczynski has elicited a mixture of bitterness, relief, gratitude and sadness.

The agreement, reached Thursday, was an unconditional plea under which Mr. Kaczynski accepted a sentence of life in prison without the possibility of release and gave up the right to appeal any rulings in the case.

It resolved all federal charges against him here and in Newark, New Jersey, for bombings that killed three people and injured two.

In addition to killing three men, pros-

ecutors say Mr. Kaczynski injured a total of 28 people in a cold-blooded campaign aimed at challenging society by killing and maiming people he had never met, including intellectuals, business executives and, in some cases, students or airline passengers who somehow strayed into his sights.

"The Unabomber's career is over," said the chief prosecutor, Robert Cleary.

David Gelernter, the Yale University computer science professor who lost fingers in a bombing in June 1993, praised prosecutors, saying that he believed they got "the best deal they could."

At the same time, he said: "My feelings are mixed. In the short term, it's a relief not to have to go to Sacramento

and have to testify. In a deeper sense, deep sadness. I'm less outraged than saddened about the moral state of the country. If we can't get a death penalty in a case like this, I think this is a moral catastrophe for the country."

In Sacramento, Mark O'Sullivan, an FBI chaplain, expressed equally bittersweet feelings on behalf of Connie Murray, whose husband, Gilbert, an official with the California Forestry Association, was killed in 1995 by a bomb that was intended for one of Mr. Murray's colleagues.

Describing Mr. Kaczynski as a "cold, calculated killer with no remorse," he said: "Mr. Kaczynski fits the definition of a serial killer, and this was definitely a death-penalty case. Mr. Kaczynski saw loopholes in the system

and manipulation of the system was very visible."

Other victims, including relatives of the two other people killed by Mr. Kaczynski's packages, could not be reached for comment. But prosecutors said that the victims and their families were of one mind when they decided to accept Mr. Kaczynski's plea of guilty in exchange for a sentence of life in prison.

"The decision to accept the plea was made after consulting with the victims and their families," said Mr. Cleary, the lead prosecutor.

For the public, the plea agreement brought an abrupt end to a riveting case. But without a jury trial, the case differed from recent much-watched cases like those of O.J. Simpson, Timothy Mc-

Veigh and Terry Nichols.

As a result, there was no discernible public outcry after the decision, no public vigil in front of television sets, waiting for a judgment to be announced.

"I think people are relieved, but they're stunned," said Laurie Leventon, dean of the Loyola University Law School in Los Angeles. "This was on such a roller-coaster pace, and then it just ended. In a way, it's a strange letdown. People may be wondering, 'Is that all there is?'"

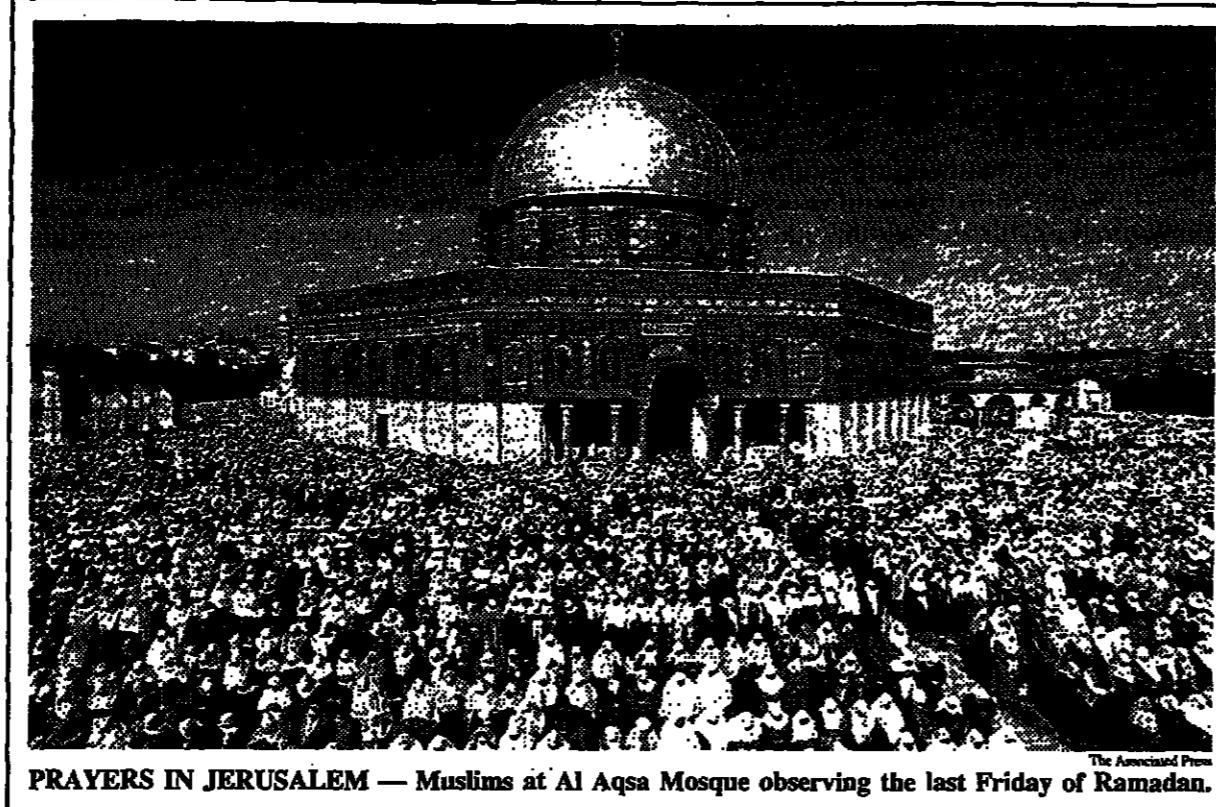
Many legal analysts said that the plea bargain was probably the best solution for all parties, but particularly for the defense.

"In terms of the physical evidence that the government had gathered, the case was a slam dunk for the government,"

said David Ruhnke, a criminal defense lawyer who specializes in state and federal death-penalty cases. "So, from the defense point of view, if you know that you're going to lose the first part of the case, you want to avoid the risk of death entirely, and they've done that."

Mr. Ruhnke said the fact that a Federal Bureau of Prisons psychiatrist said Mr. Kaczynski suffered from paranoid schizophrenia, coupled with the unsavory prospect of having a jury listen to Mr. Kaczynski's brother, David, plead for his life, made it "an uphill battle in securing the death penalty."

While Mr. Kaczynski was deemed competent to stand trial, the psychiatrist's finding was held to be a basis for altering Attorney General Janet Reno's decision last spring to seek the death penalty.



PRAYERS IN JERUSALEM — Muslims at Al Aqsa Mosque observing the last Friday of Ramadan.

## Arafat Calls Pullback Offer 'Peanuts'

Reuters

WASHINGTON — The Palestinian leader, Yasser Arafat, on Friday dismissed the Israeli troop withdrawal proposed for the West Bank by Israel's prime minister, Benjamin Netanyahu, as "peanuts."

At a news conference on the final day of a visit to Washington for talks with President Bill Clinton and other U.S. leaders, Mr. Arafat said of Mr. Netanyahu: "What he is offering is peanuts. It cannot be accepted."

Mr. Arafat declined to discuss rival Palestinian and Israeli figures for the extent of the proposed withdrawal. Palestinian officials have said they want 30 percent and that Mr. Netanyahu, in Washington this past week, offered less than 10 percent.

Despite his rejection of the Israeli offer, Mr. Arafat said his two sessions of talks with Mr. Clinton were "successful, important and positive."

Mr. Clinton met with Mr. Netanyahu as part of an effort to fashion an agreement based on an Israeli troop withdrawal and a strengthened Palestinian commitment to combat guerrilla violence, paving the way for direct talks to resume.

Palestinian officials said they expected the next move to be a new trip to the region by the U.S. special Middle East envoy, Dennis Ross. Eventually, Washington would like to set up a meeting of Israeli, Palestinian and U.S. officials.

Mr. Arafat repeatedly accused Mr. Netanyahu of failing to honor a 1995 agreement signed in Washington by committing himself to withdraw Israeli troops from most of the West Bank.

U.S. officials said that Mr. Arafat, in a move to address one Israeli concern,

handed Mr. Clinton a letter spelling out for the first time key details of a 1996 decision to annul parts of a Palestinian charter that call for Israel's destruction.

The Washington Post reported Friday that Mr. Arafat gave Mr. Clinton a second letter, saying a "time-out" in Israeli settlement construction should extend to every place on the West Bank that is not within 50 meters (165 feet) of an existing settlement structure.

### ■ Gap Over Pullout Schedule

Steven Erlanger of the New York Times reported from Washington:

In talks here with President Clinton, Israel offered a withdrawal from less than 10 percent of the West Bank, in three phases over several months, officials on all sides said Thursday.

Mr. Arafat moved some way to meeting Israeli demands on the revision of the Palestinian charter and further security cooperation. But a significant gap remains, in that Israel wants to carry out only one withdrawal from the West Bank before a final settlement is reached, while Mr. Arafat is insisting that there be three, as Israel agreed to in earlier accords, and that each one be "credible."

As Mr. Arafat met with Mr. Clinton, Vice President Al Gore, Secretary of State Madeleine Albright, and the director of central intelligence, George Tenet, details of the positions of the Israelis and Palestinians became clearer, as did some of the American ideas to bridge the slowly narrowing gaps between them.

Mr. Arafat concurred with an American proposal that the two other withdrawals agreed to in the 1993 and 1995 Oslo accords take place after talks on a final settlement between the Palestin-

ians and Israelis begin, the officials said. More important than the exact size of the first redeployment, Mr. Arafat told Mr. Clinton, is the principle that the Israelis talk to the Palestinians about it, and not just decide on it on their own.

Mr. Netanyahu told Mr. Clinton this week that he would agree to only one withdrawal, matched by reciprocal Palestinian actions against terrorism, before final-status negotiations on a permanent settlement were held.

Israel also argued that the Oslo accords allowed the Israelis alone to decide the size of interim redeployments.

While acknowledging that the Israeli interpretation was legally correct, U.S. officials responded that the "spirit" of the accords, which embody mutual recognition between the Israelis and Palestinians, meant that Palestinian concerns should also be taken into account.

The Americans also would like the initial, phased Israeli withdrawal to take place over several weeks, not several months, the officials say, and to contain two phases. They also said that Mr. Netanyahu was asking too much specific reciprocity from the Palestinians.

Since both sides are trying to set out their best possible positions before entering final-status talks, Americans believe compromises on key issues are possible. They are urging Israeli and Palestinian leaders to think through their responses to the American proposals and come up with new ideas for a meeting of Mr. Netanyahu, Mr. Arafat, and Mr. Albright in about two weeks.

The Israelis asked that the meeting take place in the Middle East, while the Americans prefer Europe, the officials say.

By John M. Goshko  
Washington Post Service

UNITED NATIONS. New York — The United States is in sharp disagreement with Russia and China about whether the Security Council should certify that Iraq has halted its nuclear weapons program.

After hearing a report from the International Atomic Energy Agency, the Russian and Chinese ambassadors reiterated assertions that the council should close its file on whether Iraq still has a capacity to produce nuclear weapons.

But the U.S. delegate to the United Nations, Bill Richardson, said that there were "significant gaps" in the atomic energy agency's information that offer "no justification for closing the nuclear files."

Under the terms of the

cease-fire that ended the Gulf War in 1991, UN sanctions against Iraq cannot be lifted until the council is satisfied that Baghdad has eliminated all its programs to produce weapons of mass destruction.

The UN Special Commission has responsibility for tracking missiles and chemical and biological weapons, while the atomic energy agency investigates nuclear capability.

Diplomats said that at the closed-door briefing of the Security Council on Thursday, Garry Dillon, an official of the International Atomic Energy Agency, essentially repeated the agency's earlier findings that although Iraq appears to have halted its nuclear weapons program, it might still be withholding information.

The chief Russian delegate to the United Nations, Sergei Lavrov, interpreted Mr. Dillon's briefing as proof that Iraq has complied fully with the UN mandates.

The Chinese delegate, Qin Hua, said, "It is time to close the nuclear file."

He added that the atomic energy agency should halt inspections and institute instead a long-term monitoring and verification program.

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## 28 Die in Kenya Mary Bunting-Smith, Educator, Dies In Attacks by Cattle Rustlers

The Associated Press

NAIROBI — At least 28 people have been killed in attacks in central Kenya that are apparently targeting members of the Kikuyu tribe, a newspaper said Friday.

The independent Daily Nation said the police had discovered 13 more bodies Thursday in the bush in Laikipia district in the north end of Rift Valley Province, about 200 kilometers northwest of Nairobi.

Fifteen people had already been killed by the unidentified raiders since the attacks and cattle-rustling raids began a week ago. Dozens of people have sought shelter on the grounds of Roman Catholic churches in the area.

A police spokesman said officials in the area put the number of dead at 22. He said arrests had been made, but he did not know the number.

The motive behind the raids was cattle-rustling, he said, but he did not know the number of head stolen.

to help women scholars, writers, artists and scientists return to careers interrupted by family obligations.

Mrs. Bunting-Smith was also the first woman member of the U.S. Atomic Energy Commission, a member of the prestigious American Academy of Arts and Sciences, a member of the President's Committee on the Status of Women, and a vice president of the Peace Corps.

Underprivileged women and interrupted careers were a constant theme for Mrs. Bunting-Smith. She chided society for its "waste of highly talented, educated women power," as she put it in a 1961 article in the New York Times, calling it a "prodigious national extravagance."

"The number of intellectually displaced women without productive outlets for

their talents and education is growing yearly," she wrote.

"Yet, to date, our efforts to stem the waste they epitomize have been meager, scattered and inadequate."

Jack Lord, 77,

Star of 'Hawaii Five-O'

NEW YORK (NYT) — Jack Lord, 77, the deadpan star of "Hawaii Five-O" who made "Book him, Danno" a fixture of American slang, died Wednesday at his home in Honolulu.

He died of congestive heart failure, said Carolyn Tanaka, a spokeswoman for Marie Lord, the actor's wife and only survivor.

Playing strait-laced, tight-lipped Detective Steve McGarrett, head of an elite state

police investigative unit, Mr. Lord helped make "Hawaii Five-O" the longest running police drama in television history. It lasted 12 seasons on CBS, from 1968 to 1980, and was also seen in more than 80 other countries.

The phrase "Book him, Danno," used when the bad guy was captured, came from the name of McGarrett's assistant, Detective Danny Williams, who was played until the show's penultimate season by James MacArthur.

Mr. Lord was not only the star; his contract gave him control over dramatic decisions on every episode, and it was he who insisted, against the network's wishes, that the show be shot entirely on location in Hawaii.

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# Brushing Aside Its Demands, Saddam Constructs His 'Jihad' Against UN

By Barbara Crossette  
New York Times Service

**BAGHDAD** — In an orchestrated series of steps during the last week, President Saddam Hussein has sent the world an unmistakable message: Seven years after the Gulf War, Iraq is going to extricate itself from economic sanctions, with or without permission from the United Nations Security Council.

The signals from Iraqi officials here are very clear. The next two or three months will be the most critical tests of American, British and United Nations resolve that Iraq has posed since it was put under international supervision for its invasion of Kuwait in August 1990.

Richard Butler, the executive chairman of the UN Special Commission, which has been working since 1991 to rid Iraq of weapons of mass destruction, came here with what he called "blindingly obvious" news for the Iraqis. The Security Council had instructed him to

demand unconditional access to any place in this country that weapons inspectors wanted to go.

That demand was simply brushed aside. Deputy Prime Minister Tariq Aziz told Mr. Butler that Iraq would no longer be willing to deal with "cops." Instead, Mr. Aziz gave Mr. Butler a definitive list

## NEWS ANALYSIS

of eight areas that were off-limits, some of them huge.

Moreover, Mr. Saddam declared that Iraq was in a state of *jihad*, holy war, against the UN sanctions, and ordered military training for a million citizens.

Mr. Aziz told Mr. Butler that there should be no more talk of access to presidential properties or other sites that the Iraqis have labeled "sensitive" — and no more requests to inspect them — until three new teams of UN technical experts weighed the file on Iraqi compliance on missile warheads.

chemical weapons and germ warfare.

Iraq already considers the nuclear file effectively closed. All four areas must be declared disarmed by Mr. Butler's commission before sanctions can be lifted.

The technical teams are to begin meeting here Feb. 1. They are expected to report to Mr. Butler a month later. He in turn is to tell the Security Council by early April how far Iraq has come in meeting the disarmament requirements.

At that point the council will decide whether to continue sanctions for another six months.

The Iraqis hope that this path will lead to their release from an embargo that has hurt many people — including the leadership, which cannot expect to go on building itself magnificent palaces without a renewed oil income. Millions of other Iraqis no longer care who benefits from a release from sanctions as long as they can again eat and buy their children clothes and medicine.

Iraqi officials seem to believe that the

United States has never been in a weaker position in the Security Council. Secretary of State Madeleine Albright has been less aggressive in her approaches to the Iraqi problem than she was as the chief American delegate to the United Nations, when she could talk down and even ridicule many of Baghdad's plows.

The United States would have a far more difficult time winning support for military attacks on Iraq, many diplomats say. Washington is crippling the United Nations financially by not paying its dues, a measure of the low priority the Clinton administration has put on the need for international support there, many UN officials and diplomats say.

At the same time, some countries have big financial and commercial interests in an unfettered Iraq, especially France and Russia. Other diplomats are also justifying for attention here now, perhaps sensing that sanctions may crack.

Diplomats here and at the United Nations trace the shift on Iraq's part to early

last fall, when Mr. Saddam tried again — and failed again — to declare unilaterally that Iraq was free of prohibited weapons. American attempts to add new sanctions also failed, however, and that seems to have been seen as a green light in Baghdad.

The crisis over the Iraqi decision to bar American weapons inspectors followed in October, costing the UN Special Commission three weeks of lost work.

Although Russia eventually persuaded Iraq to back down, the scene had been set for further confrontations. To this day, diplomats say, they are not sure what Russia promised the Iraqis in return, but high among Baghdad's demands was a proportional reduction in American inspectors — and a reduced role for the commission headed by Mr. Butler, an outspoken Australian disarmament expert.

The Iraqis persuaded Secretary-General Kofi Annan to send a team of troubleshooters not drawn from the Se-

curity Council or its creation, the Special Commission, to discuss the inspection crisis last fall. Now Iraq has broadened the panel of technical experts who will examine the files on its weapons programs.

Instead of expert teams chosen by the Special Commission, there will be panels including Iraqis, commission members and nominees of six countries: Britain, China, France, Germany, Russia and the United States. What to an outsider might seem an insignificant change is to Iraqis a fundamental shift in principle.

When Mr. Butler was asked Wednesday whether Iraq's demand for a freeze on access to suspect sites put it in clear violation of the Security Council resolution — which in this case can be enforced militarily — he explained why he could not even comment.

"This is a tough political environment right now," he said, "and that's a decision the Security Council will have to make."

## BRIEFLY

### IRAQ: A Gloomy Picture

Continued from Page 1

including what biological agents he believed the plane was making or whether UN inspectors had sought to visit it.]

In a 19-page report to the council, Mr. Butler described a pattern of stonewalling, equivocation, counter-demands and insults from Iraqi officials during his visit to Baghdad this week.

"I am bound to state that if Iraq successfully avoids answering the questions we have had before it for some time on outstanding disarmament issues and/or in other ways prevents us from finding those answers," Mr. Butler said in his report. "It is gravely to be doubted that we would be able to verify Iraq's claims that it has met its disarmament obligations established by the Security Council."

After the two-hour session, the French representative at the United Nations, Alain Dejammet, who holds the rotating presidency of the Security Council for January, said council members generally agreed that Iraq's demand for a two-month moratorium on inspections and discussions about access to closed sites was "unacceptable."

Otherwise, however, the response within the Security Council exposed a lack of agreement about what to do next. The United States and Britain called for a tough response, while Russia and China suggested that more be done to take Iraq's interests into account. The split underscored how difficult it will be for the council to declare Iraq in material breach of its obligations and to force it to allow the inspectors unfettered access.

Mr. Dejammet said that the next step would involve "serious consultations" among the countries themselves. "It was obvious this morning that it was only a preliminary discussion," he said.

The chief U.S. delegate, Bill Richardson, called Mr. Butler's report "deeply disturbing, deeply negative and unacceptable."

He described Iraq's response as one of "defiance" of the council's resolutions, the weapons inspectors and the international community.

Mr. Richardson said that the Security Council would consult with its allies inside and outside the Security Council. "We want to resolve the issue diplomatically," he said, "but we will not rule anything out."

But the Russian representative, Sergei Lavrov, stressed "the need to rely entirely on diplomatic efforts, to be patient and to keep searching for diplomatic solutions," so as not to risk losing the monitoring system that exists in Iraq.

And the Chinese representative, Qin Huosun, said that although Iraq should cooperate with the inspectors, at the same time, as a sovereign state, Iraq's dignity and security concerns should be taken into consideration.

Even before the session ended, Britain's chief delegate, Sir John Weston, came out and angrily told reporters: "I do not see how the Security Council can acquiesce in such a situation while wishing to retain any credibility of its responsibilities under the charter for international peace and security."

#### ■ Germany Jails Businessman

A German businessman was jailed Friday for illegally exporting Scud missile launchers to Iraq that prosecutors asserted had been used against Israel and the U.S.-led allies in the Gulf War, Reuters reported from Darmstadt, Germany.

Gerhard Paul, a former executive at Havert Industrie, was sentenced to three years and two months in prison. He was convicted on 11 counts of illegal export and three counts of fraud.

Another company official, Hans Friedrich, received a suspended two-year term on the illegal export counts.

### Hun Sen Shows UN 3 Listed as Dead

TAKHMAU, Cambodia — Second Prime Minister Hun Sen met Friday with the United Nations' top human rights official and showed her three men whom he said UN investigators had charged his government with killing.

Their appearance before Mary Robinson, the UN High Commissioner for Human Rights, appeared to be an effort to discredit the work of her agency's office in Phnom Penh. Mrs. Robinson did not comment on the identity of the men.

The UN office documented 43 killings of Mr. Hun Sen's opponents in August. UN officials accuse the government of failing to investigate the killings, allegedly committed during a July coup in which Mr. Hun Sen seized power. (AP)

### 30,000 Demonstrate For Thai Pipeline

KANCHANABURI, Thailand — More than 30,000 people rallied peacefully here Friday in support of a Thailand-Burma gas pipeline that has been the subject of months of protests by environmental groups.

The demonstrators demanded that the government remove about 40 people who have been camping out in the jungle for more than three weeks to try to stall the project.

"Pro-environmental people are outsiders who know nothing about the benefits that this town and the nation will get from the project," the rally leader, Tanya Darapaisaisuk, said. (Reuters)

### Alaska Settles Suit Against Canadians

ANCHORAGE, Alaska — Alaska and Canada have agreed to settle a 2.1 million Canadian dollar (\$3 million) lawsuit against fishermen who blocked a state ferry for three days last summer. Governor Tony Knowles said Thursday.

Under the agreement, the state will drop its lawsuit against the British Columbia fishermen, who were protesting what they said was excessive Alaskan interception of Canada-bound salmon, in exchange for a 1.3 million-dollar Canadian-funded campaign promoting tourism to Alaska, Mr. Knowles said.

The accord also stipulates that the fishermen drop their 15 million-dollar counterclaim against Alaska. (Reuters)

### 3 Japanese Parties Carry Out Merger

TOKYO — Three opposition parties merged Friday to form a new party to challenge Prime Minister Ryutaro Hashimoto's coalition in elections this year, a news report said.

The move brings together the recently formed Taiyo, from Five and Voice of the People parties. The new group will be called the Minseito, or Good Governance Party, Kyodo News reported.

The Taiyo Party chief, Tsutomu Hata, a former prime minister, will lead the new party. (AP)

## Hong Kong Will Lift Ban on Chickens Soon

Agence France-Presse

HONG KONG — The Hong Kong authorities, confident they are winning the fight against a deadly avian flu, said Friday they would resume imports of chicken from mainland China on Feb. 7.

The resumption will be accompanied by new public health safeguards. All birds brought into Hong Kong whether poultry or pets, will have to be accompanied by a health certificate stating they are free of the H5N1 "bird flu" virus.

Missing from Mr. Botha's speech, but the crux of his battle with the Truth Commission, are the deeds of the apartheid-era state security council. That council, composed of the nation's top ministers, marshaled the resources of all sectors of society to conduct the regime's "total strategy" against the black majority.

Scores of thousands of blacks were killed, tortured and detained without trial. To help South Africa heal these wounds, the truth body was created in 1995 to uncover abuses of the past, offer amnesty to those who confess, and to write a comprehensive history of the apartheid years. Knowledge of the security council's activities are central to this effort.

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The flu has since last summer affected 18 people in Hong Kong, six of whom have died. But no new cases have been reported since the government ordered a mass slaughter of 1.2 million chickens late last month.

## VISAS: U.S. Policies in Brazil Were Discriminatory, Judge Rules

Continued from Page 1

because of the color of their skin or the place of their birth means that the use of generalizations based on these factors is unfair and unjustified."

He cited a visa manual used in the Sa Paulo consulate that encouraged special scrutiny of applicants of Korean or Chinese ancestry — "visas are rarely issued to these groups," the manual said — and those from certain Brazilian cities — "known for fraud." Most of the cities have predominantly black populations.

Judge Sporkin said his review of the evidence showed that Mr. Olsen, a 53-year-old Harvard-educated lawyer, was dismissed because he refused to follow a policy that resulted in the routine denial of visas to Brazilians who were black or who were of Asian or Arab descent.

"Government employees are not to follow orders blindly," the judge said in praising the former diplomat.

Mr. Olsen, who now is in private legal practice in Washington, said the judge's

ruling was "right," adding: "I'm not in this so much to vindicate myself as to vindicate a principle."

Judge Sporkin ordered that a State Department grievance board review the case of Mr. Olsen to determine if he should be reinstated to the foreign service and given back pay.

The State Department is not backing down. In court papers, it has insisted that Mr. Olsen was dismissed because of "poor work performance" — specifically, for failure to adjudicate visa applications with the requisite speed and good judgment required by the job."

At a time when the administration of President Bill Clinton insists it is cracking down on illegal immigrants and is trying to eliminate the threat that terrorists could sneak into the United States, the State Department defends the use of the visa profiles in São Paulo and elsewhere in the world.

The profiles single out applicants on the basis of their ethnic background, or the way they look or talk, to determine which

applications deserve special scrutiny.

"No applicant is refused a nonimmigrant visa application on account of his or her ethnicity or nationality," said Suzanne Nyland, a Justice Department lawyer who is representing the State Department in the lawsuit.

But the profiles are valuable, she said, because they "serve to help the consular officer ask the right questions" and to determine which applicants should be called in for interviews.

But Mr. Olsen said he was startled after arriving in Brazil in 1992 for his first Foreign Service posting, by the five-page manual for new visa officers that listed "general guidelines on how to handle selected visa cases."

The manual encouraged the use of abbreviations like these: "RK=Rich kid, LP=Looks poor, TP=Talks poor, LR=Looks rough, TC=Take care."

A 1993 memorandum also warned that "Arab and Chinese last names set off bells and whistles, regardless of what passport/nationality they may have."



## BOTHA: Defiant Ex-President

Continued from Page 1

measures to brutally repress the nation's black majority and has rejected reconciliation in the new dispensation, will now have his fate judged by a black man, Victor Leggat, who is president of the Western Cape regional court.

The hearing, which lasted less than 30 minutes, focused mostly on legal house-keeping issues: the still-unresolved issue of state financing for Mr. Botha's legal defense, which was withdrawn earlier this month; the matter of the translation from Afrikaans to English of the thousands of pages of documents involved. The case was continued until Feb. 23 for pleading and April 14 for trial.

Though Mr. Botha faces the relatively minor charge of contempt for defying subpoenas to appear before the nonprosecutorial Truth and Reconciliation Commission, his unscheduled posthearing news conference on Friday drew the legal, ideological and racial battle lines that are sure to make this a political trial.

Mr. Botha is defending himself against the allegation that he ordered or allowed murders, bombings and other brutal assaults in defense of apartheid during his reign as defense minister, prime minister and state president in the 1970s and 1980s, until his ouster in 1989. The Truth Commission is defending itself against the allegation of having been a racist.

Mr. Botha called the truth body the "revenge and retribution" committee and made it clear he wants no part of the reconciliation it is offering. Condescendingly, he recounted that he once warned President Nelson Mandela during a private meeting that "the forces you are unleashing will destroy you."

Limping from a recent hip operation, Mr. Botha remains deep inside the "laager," or circled wagons, and on

## POPE: John Paul Condemns Embargo but Also Cautions Cubans

Continued from Page 1

ditions which are sometimes difficult, who are sometimes frustrated in their legitimate aspirations and are even deprived of hope itself," John Paul said in his message.

"Resist every temptation to flee from the world and from society," he said.

He called on the young to "return to your Cuban and Christian roots, and do all that you can to build a future of ever-greater dignity and freedom."

As for the clemency request, the Vatican's secretary of state made it at sep-

## RELIGIOUS SERVICES

### UNITARIAN UNIVERSALIST

MARTIN LUTHER KING Commemorative Service: "30 Years after the Dream," UNITARIAN UNIVERSALIST FELLOWSHIP OF PARIS. Guest speaker and guest singer: 12 noon. Foyer of the Pantheon, 57, rue de l'Université, 75005 Paris. Non-denominational education for children and teens. Meditation and spiritual growth groups. Social activities. Information: 01.30.22.75.33.

### THE EPISCOPAL CHURCHES OF EUROPE

# Political Explosion Aside, President Faces Array of Legal Questions

By Jan Hoffman  
New York Times Service

**NEW YORK** — In addition to the political problems, the allegation that the president had a relationship with a former White House intern raises numerous legal questions.

For starters, scholars disagree about whether the president can even be indicted, much less prosecuted. That constitutional issue has never been resolved by the Supreme Court, which came closest to examining it in 1974, when the justices ruled that President Richard Nixon could not claim executive privilege to block a Watergate special prosecutor's subpoena for White House tapes. Mr. Nixon had been named by the grand jury in that case as an "unindicted co-conspirator."

Although lawyers for both sides fully briefed the question of whether Mr. Nixon could be indicted, each gave entirely different readings of the Constitution. Chief Justice Warren Burger said that the court did not have to resolve the dispute in order to rule on the executive privilege.

If, however, Mr. Clinton can be indicted and prosecuted, here are several legal issues that might be raised:

• Mr. Clinton testified at a deposition before Paula Jones's lawyers, though Monica Lewinsky's scheduled appearance Friday has been postponed indefinitely. Can a person be charged with perjury for lying at a deposition taken for a civil action?

Yes. At a deposition, a wide-ranging inquiry at which lawyers develop information for their forthcoming cases, the person being questioned must swear an oath to tell the truth, and testimony can often be introduced in court. The crime of perjury is generally defined as knowingly testifying falsely in violation of that sworn oath. That said, a prosecution for perjury rising out of a civil case is rare.

• If the strongest allegations against Mr. Clinton have merit, what crimes could he be charged with?

Several former federal prosecutors said Mr. Clinton could be charged with perjury if he lied to Ms. Jones's lawyers at his deposition; suborning

perjury — if he encouraged Ms. Lewinsky to lie at her deposition; obstruction of justice — a broader category of impeding an investigation, and conspiracy on the suborning and obstruction charges, if he asked Vernon Jordan Jr., his friend, to persuade Ms. Lewinsky to lie.

• Taping a telephone conversation without the speaker's consent is illegal in the state of Maryland, where Linda Tripp recorded Ms. Lewinsky's calls to her, but is not illegal under federal law. Are the tapes admissible in a federal criminal case?

Yes. Federal rules control in federal court. However, Kenneth Starr, the independent prosecutor, had Ms. Tripp wear a wire and record a new conversation with Ms. Lewinsky under the unambiguous cloak of federal protection, so that he would not have to rely on telephone tapes made under the taint of illegality.

• Can the tapes be used as evidence against Mr. Clinton in a criminal case?

Yes and no. At a grand jury hearing to determine whether to indict Mr. Clinton, prosecutors can introduce the tapes. But at trial, a defendant

has a Sixth Amendment right to cross-examine his accuser: Ms. Lewinsky. A tape of her making statements about him cannot be cross-examined and so would most likely be considered hearsay, assuming she herself could be subpoenaed to testify. Here, the tapes could not be presented in the prosecution's direct case.

Federal evidence authorities say, however, that the tapes could be introduced in two other ways: If she testifies against Mr. Clinton, prosecutors may be able to introduce portions of the tapes to show that her testimony was consistent with her earlier statements. If she testifies for Mr. Clinton, denying that they had an affair and that he encouraged her to lie in the deposition, the prosecution can introduce the tapes to challenge her credibility.

• How is Ms. Lewinsky's relationship with Mr. Clinton germane to the Jones lawsuit, which claims that the then-governor asked her for sex?

To prevail, Ms. Jones, a state employee, does not need to establish that Mr. Clinton had a pattern of soliciting sex from employees.

But if she can, introducing other examples might help bolster her credibility in a he-said-she-said duel before a jury. She does have to show that Mr. Clinton implicitly or explicitly made sex with him a condition of her employment. Her lawyers would want to question Ms. Lewinsky on the same point.

• Ms. Lewinsky's lawyer has said that she may eventually invoke the Fifth Amendment at her deposition in the Paula Jones case. Why would that be necessary?

It is not a crime to lie to a friend about having an affair with a married man. But Ms. Lewinsky has submitted a signed affidavit to Ms. Jones's lawyers saying the affair never happened. If she persists with the denial at the deposition and it turns out that the affair did occur, she could face perjury charges.

Since that is a risk, she can claim the Fifth Amendment protection against self-incrimination at the civil proceeding, to ward off the possibility that deposition testimony about the affair could be presented to a grand jury.

## Even Critics Of Counsels Believe Starr Acted Rightly

By John Mintz  
and Toni Luce  
Washington Post Service

**WASHINGTON** — For years, critics have accused independent counsels of conducting costly and ever-expanding investigations that have resulted in the criminalization of American politics.

But even some of those most skeptical about the 1978 law that established the counsels said that the Whitewater independent counsel, Kenneth Starr, seemed on firm legal ground when he sought and received judicial permission to expand his inquiry into whether President Bill Clinton urged a 24-year-old former White House intern to lie in sworn testimony.

Adding to the independent-counsel criticism, the outside attorneys prosecuting a former Clinton housing secretary, Henry Cisneros, and a former agriculture secretary, Mike Espy, have been harshly criticized for going beyond the scope of their initial charges, targeting peripheral players and spending too much time and money investigating offenses that, even if proven, might not warrant the effort.

In his secret application to Attorney General Janet Reno last week, sources said, Mr. Starr justified the expansion by pointing out that his team was already examining allegations that Vernon Jordan Jr. tried to buy the silence of a former Justice Department official: Webster Hubbell, by lining up consulting jobs for him. Mr. Starr, the sources said, asserted that the new allegations that Mr. Jordan urged Monica Lewinsky to lie by denying she had a sexual affair with Mr. Clinton and that Mr. Jordan was helping her find work in New York were closely related to the earlier investigation of Mr. Jordan.

According to those who have worked with her, Ms. Currie is a polished professional in her late 50s, a relatively apolitical woman who has been drawn repeatedly to intensely political settings.

President Clinton has called her "a calm, reassuring voice."

She first went to work for the government in 1957. During the 1970s, she worked as special assistant to Sam Brown Jr., President Jimmy Carter's appointee to lead ACTION, the agency that includes the Peace Corps. By the next decade, she had moved into Democratic campaigns.

She worked on the 1984 vice presidential campaign of Geraldine Ferraro, then the 1988 presidential campaign of Michael Dukakis.

She went to work in the Little Rock "war room" during Mr. Clinton's 1992 campaign, apparently because she was a friend of John Podesta, now White House deputy chief of staff.

After the election, she was secretary to the future secretary of state, Warren Christopher, when he was co-chairman of the Clinton transition team. It was her role in the transition that landed her a job as one of Mr. Clinton's two personal secretaries. (WP)

### No Comment on Chelsea

**PALO ALTO, California** — Stanford University has declined comment about how Chelsea Clinton is handling the scandal around her father.

"We do not discuss any students individually unless they have done something," said Terry Shepherd, a spokesman for the university.

Chelsea Clinton enrolled last fall at Stanford. Her parents asked the media not to bother her at college. (Reuters)



Betty Currie, a White House secretary, and President Clinton in an April photo. Mrs. Currie has been subpoenaed by the independent Watergate counsel in connection with the Lewinsky episode.

## How Lewinsky Got the Job

**Big Clinton Contributor Recommended Her to White House**

**WASHINGTON** — A retired New York City insurance executive who was one of President Bill Clinton's top contributors recommended Monica Lewinsky for her job as a White House intern, said a former Clinton campaign official and government investigator.

The executive, Walter Kaye, who contributed \$347,000 to the Democratic National Committee and Democratic candidates and was an overnight guest at the White House, helped Ms. Lewinsky obtain her White House position.

Mr. Kaye was friendly with Ms. Lewinsky's mother, Marcia Lewis, author of a book about the opera singers Luciano Pavarotti, Placido Domingo and Jose Carreras.

Mr. Kaye has been one of the president's most stalwart backers, having also contributed to his legal defense fund. He also donated to a legal fund established by Susan McDougal, the Clintons' jailed former business partner who was convicted of fraud in 1996 as part of the Whitewater case prosecuted by the independent counsel, Kenneth Starr. (NYT)

### Gatekeeper in the Glare

**WASHINGTON** — Betty Currie has been the Oval Office's gentle gatekeeper for five years, a meticulous secretary who is unfailingly gracious while sorting out President Clinton's true friends from those who merely claim to be.

Suddenly, this obscure public servant has been thrust into a spotlight only a Washington scandal can shine.

Vernon Jordan Jr. acknowledged that he had helped Ms. Lewinsky look for a lawyer and a job. It was Ms. Currie, Mr. Jordan said, who asked him to help Ms. Lewinsky, the former White House intern who allegedly had a sexual relationship with President Clinton. Mr. Starr, the independent counsel, subpoenaed Ms. Currie on

## STRATEGY: Clinton's Political and Legal Advisers at Odds

Continued from Page 1

and keep his policy agenda from being reduced to an irrelevancy.

The lawyers, while agreeing that Mr. Clinton's problems have both a political and legal dimension, said they need to be especially methodical in compiling critical information — such as how often Ms. Lewinsky visited the White House after she left her job there to work at the Pentagon in April 1996; how often she spoke with Mr. Clinton and what other charges Mr. Starr may be pursuing — before Mr. Clinton ventures forward with his version of events.

Some White House advisers noted how starkly Mr. Clinton's tepid responses contrasted with the aggressive responses he has often given when faced with allegations before.

"There are a lot of people who want him to break out of the lawyers' trap he's in and be himself," said one member of what he called the "let-Clinton-be-Clinton" crowd.

Prosecutors "should stay out of intensely personal matters," Mr. Walsh said, and focus on "official business. I don't think they should be drawn away into something highly personal."

## Again, Jordan Supports His Friend

**From Hubbell to Foster to Sex Scandal, Lawyer Is There for Clinton**

By Ruth Marcus  
and Thomas B. Edsall  
Washington Post Service

**WASHINGTON** — During nearly every crisis of the Clinton presidency, Vernon Jordan Jr. has been a constant, though largely invisible, presence. The 62-year-old lawyer has now again come to the aid of the president, this time standing front and center with a public statement that may be the best news the beleaguered Mr. Clinton had in the last few days.

On Thursday afternoon, Mr. Jordan walked into a crowded meeting room at a hotel here to make his first comment on the allegations that a 24-year-old former White House intern had an affair with Mr. Clinton and was then advised by the president and Mr. Jordan to lie about it.

The reporters and camera crews fell silent. The 6-foot-4-inch Mr. Jordan, impeccably tailored as usual, smiled ever so slightly.

"May I have your attention? My name is Vernon Jordan," he said, knowing full well that every person in the room knew exactly who was at the lectern.

He then launched into his account of his dealings with Monica Lewinsky. He took no questions.

### CLINTON: Aides Rally Around President

Continued from Page 1

seemed to confirm the depth of administration concern, four cabinet members appeared before television cameras outside the White House to insist vigorously that Mr. Clinton had done nothing wrong and that they would continue to tend to the public's business.

The American people would be ill-served if the president of the United States and his cabinet did not focus on what we have been asked to do or he has been elected to do," Secretary of State Madeleine Albright said, speaking forcefully. "The president is focused on what he has to do, I am focused on what I have to do, the other secretaries are, and I think the American public would be appalled if they thought we weren't doing our job."

She was joined by Donna Shalala, the secretary of health and human services; William Daley, the secretary of commerce; and Richard Riley, the secretary of education.

The president has taken pains to maintain his schedule and project a sense of normality, but his aides admit to feeling a sense of siege.

The White House attempt to show that it is conducting business as usual seemed almost surreal Friday.

With reporters clamoring for comment on the affair, Michael McCurry, the president's spokesman, opened a news briefing with a long and leisurely explanation of cabinet discussions totally unrelated to the Lewinsky scandal.

When he finally took questions on the matter, he said Mr. Clinton had spent no time Friday morning addressing the issue, though he was expected to do so later.

Mr. Ginsburg, the Los Angeles attorney representing Ms. Lewinsky, said on ABC-TV that his client had come under pressure while being questioned before the case was brought to public notice.

"I can say that repeatedly during the course of discussions with the office of the prosecutor, we have been squeezed," Mr. Ginsburg said. "They've even made threats to involve my parents, who, as far as I know, know nothing about the situation."

"They are suggesting perhaps that her parents would be involved as witnesses in some fashion before a grand jury."

Ms. Lewinsky's deposition in the Jones case was indefinitely postponed by the presiding judge in Arkansas, Susan Webber Wright of the Federal District Court in Little Rock.

The former intern, who has reportedly been in seclusion in an apartment owned by her family in the Watergate apartment building in Washington, had been planning to invoke her constitutional privilege not to answer questions that might incriminate her, Mr. Ginsburg confirmed.

She provided an affidavit two weeks ago in which she denied that she had a sexual relationship with the president. According to USA Today, the affidavit contained the statement: "I have the utmost respect for the president, who always behaved appropriately in my presence. I have never had a sexual relationship with the president."

Mr. Ginsburg said in an interview with CNN that "she will stand on the sworn affidavit this time."

Lawyers representing Ms. Jones denied that they were cooperating with the criminal investigation of Mr. Clinton by the team of Whitewater prosecutors headed by Kenneth Starr.

Mr. Starr, a Republican, has re-

peatedly been accused by Democrats of waging a partisan crusade against Mr. Clinton since he began serving as White House special prosecutor three and a half years ago.

When reporters asked Mr. McCurry about a possible political motive, he said, "It would be highly improper for us to speculate as to motive."

Mr. McCurry said Mr. Clinton wanted to put the issue to rest but added, "He has to be prepared to do it in a thorough and comprehensive way."

The president's aides originally said that he might hold a news conference on Friday, but later said he wanted to give his staff time to provide investigators with the materials they have subpoenaed about the comings and goings of the former aide.

His political image already appears to have suffered, though no allegations have been proven, and his political leverage and ability to raise funds for his party could be seriously harmed, despite his history of surviving scandal largely intact.

Mr. McCurry acknowledged concerns that U.S. influence could suffer a blow abroad. Foreign capitals, he said, "don't really understand why we do this to ourselves."

There was considerable press speculation about whether Mr. Starr might be able to work out a deal with Mr. Ginsburg for Ms. Lewinsky's cooperation. Her lawyer said he had not heard from the Starr team since Monday.

Mr. Starr's office has said that its only interest in Ms. Lewinsky is as a witness.

Mr. Ginsburg referred to his client as a "target" of the Whitewater criminal investigation. In an interview with The Associated Press, he said he was using the term in the legal sense, meaning someone who is likely to be indicted.

The only charge she appears to be liable to, from what is known, would be to perjury, if in fact her sworn affidavit that she had no affair with Mr. Clinton were to be proven wrong.

Mr. Ginsburg described Ms. Lewinsky as being "devastated, concerned, upset and fearful — does not know what the future holds."

Asked whether she had been asked to wear a wire and instigate conversations with Mr. Jordan and perhaps Mr. Clinton, Mr. Ginsburg said, "I think that's a very fair assumption, based on my knowledge of the investigatory process that's taken place."

His statement that his client "at this time" stands by her affidavit if and when this month stirred speculation about her intent as the matter unfolds and the stakes grow higher.

The scandal that has entangled Mr. Clinton began when Linda Tripp, a friend of Ms. Lewinsky's, provided Mr. Starr with about 20 hours of audio tapes in which she is heard describing a sexual relationship with the president and discussions on hushing it up.

CBS reported that on one tape, Ms. Lewinsky is heard complaining that Mr. Clinton was cheating on her with four other women, three of them White House staff members.

As the affair lurched along, many key questions remained unanswered:

• What exactly will the tapes in Mr. Starr's possession reveal?

• What will White House logs and information show about Ms. Lewinsky's contacts with the president?

• What might Mr. Jordan, who has been subpoenaed to testify to the grand jury, say under oath?



tems in Indonesia

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ART

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## A Cultural Leap in Karlsruhe

By David Galloway

**K**ARLSRUHE, Germany — Despite its significance as a Rhine harbor and industrial center, the city founded in 1715 by Margrave Karl Wilhelm of Baden-Durlach figures in few touristic itineraries. Yet its cultural attractions are far more extensive than a population of 270,000 would lead travelers to expect.

That Karlsruhe's first-class museums are so little known to a larger public has at least something to do with the shoulder-to-the-wheel pragmatism of its inhabitants. As one local wag has observed, "They not only put their cultural fight under a bushel but promptly sit down on the basket." As a result, a visitor may find himself virtually alone in Karlsruhe's magnificent Baroque palace, which houses the State Museum. Its extensive holdings — including the celebrated Memminger Altar — document some 5,000 years of European cultural history.

Among the other well-kept secrets is the Museum beim Markt (Museum on the Market), founded in 1993 as the country's only institution devoted to the applied arts of this century. The city's Kunsthalle, with paintings from the Middle Ages to the present, ranks as one of Germany's most beautiful museums. And Karlsruhe has two art academies, the region's most extensive fine-arts library, Europe's largest institute for computer sciences and a number of important archives including one that documents the production of majolica in the region.

With the recent opening of the Karlsruhe Center for Arts and Media (ZKM), the era of obscurity would seem to be drawing to a close. For 154 million Deutsche marks (\$85 million), the city has renovated a former munitions factory to house an Academy of Design, a Media Museum and a Museum for Contemporary Art, which places painting, sculpture, photography and new-media art on an equal footing.

The Municipal Gallery, focusing on regional artists, has also found a new if somewhat incongruous home here, and a Collectors' Museum will round out the complex in two years' time.

**T**HANKS to the generous spaces and the sensitive installation of works in the Contemporary Arts Museum, even the faint sounds of distantly beeping video games seem less a distraction than a lure to move into other, unexplored corners. So far as more traditional arts are concerned, the Contemporary Museum has



Frank den Oudsten's "Floating Identities," done in 1995.

understandably focused on younger artists and tends to present groups of works rather than isolated examples. One can quibble with individual choices and regret, even, the inclusion of two anemic photogravures by Robert Rauschenberg. Contemporary photography, however, makes a relatively strong showing, while the ingenious video installations of Fabrizio Plessi and Marie-Jo Lafontaine should convince even die-hard skeptics that this is a medium that has reached full aesthetic maturity. It is impossible to make similar claims for the interactive and "virtual" works on view. These, on the other hand, are part of the Media Museum, which intentionally stresses an experimental, workshop character.

Combining teaching, research and exhibition facilities under a single roof was the brainchild of 62-year-old Heinrich Klotz, who struggled for eight years to turn his vision into reality. A former journalist, art historian and university professor, Klotz first showed his skills at bucking the odds when he became founding director of Frankfurt's Architecture Museum, which at his urging became part of the museum embankment along the Main River.

Klotz's interdisciplinary, multimedia concept has been described as a sort of "Digital Bauhaus," and enthusiasts have compared the results to the Pompidou Center in Paris. Klotz has persuaded leading artists and theoreticians to join his faculty.

Plainly, the entire ZKM complex is a work in progress, which will require considerable and more or less continuous fine-tuning.

David Galloway is an art critic and freelance curator based in Wuppertal, Germany.

## An Old Master and New Minimalism

International Herald Tribune

**L**ONDON — If exhibitions can ever rank as masterpieces in themselves, this is it. Small, admirably presented, "Recognizing Van Eyck," at the National Gallery until March 15, defines a new genre, the minimalist art show, focusing on a few works by a major master.

Jan Van Eyck is as elusive a figure as his work is enigmatic. He was born, historians presume, at Maaseik, near Maastricht. On a date that has yet to be discovered. The earliest

SOUREN MELIKIAN

record of his name, in 1422, tells us only that he was a painter in the Hague attached to the ruler of Holland, John of Bavaria. By 1425, Van Eyck had switched to Bruges and Lille in circumstances unknown. His recorded work covers nine years from 1432 to 1439. He died in 1441.

Reading between the lines, one surmises a man of outstanding intelligence — a 16th-century Flemish source quoted by Elisabeth Dahnens in her masterly monograph "Van Eyck," published in 1980, says as much. To Philip the Good, Duke of Burgundy, Van Eyck the court painter was also a trusted adviser. When an embassy was dispatched to Portugal in 1428 to finalize the details of a marriage between the duke and Isabella of Portugal, the painter was included in the party, pointing to a man at ease among the high and mighty.

While archives and later sources give us little more than tantalizing hints at the life story and the personality of Van Eyck, several of the artist's 20 pictures that survive provide startlingly precise indications. The earliest of all is one of the most extraordinary West European paintings in the 15th century.

It did not travel to London, nor should it — "The Adoration of the Lamb" has been standing in the cathedral of St. Bavon (originally the Church of St. John) in Ghent since Day One. The outer frame carries a Latin quatrain in Gothic lettering, now partly erased, which raises several questions. It begins by praising Jan's brother: "The painter Hubert, the greatest one ever noted began [this]. [Carrying] the burden, Johannes [=Jan], the second in art, complied with the wish of Joos Vijd [who, with his wife, commissioned a chapel in the church]." The date, May 6, 1432, follows in the form of a chronogram.

**W**AS Hubert an elder brother acting as a master? We do not know. Even more puzzling is the question of his contribution. Did Hubert physically participate in the painting? Unlikely. Jacques Lasaigne remarked in "The Century of Van Eyck" that laboratory analysis reveals neither discrepancies, nor corrections, and that every technical detail is consistent with Jan's fully signed work.

The polyptych is a landmark in European art. Despite the lamb standing amidst groups of worshippers, the central panel, can be seen as the first large European landscape — nature and urban elements in the distance are essential to the com-



The celebrated double portrait in the Van Eyck show.

position. Moreover, when closed, the wings display the inside view of a room without any human presence. On one side, three objects are depicted with peerless precision — a brass lavabo, a basin and a towel hanging from a rail — effectively composing an admirable still life, another first in Europe.

A third genre is represented in the picture, the psychological portrait. A whole gallery of them appears in the four groups, with infinite diversity. These can barely be made out from some distance away in the cathedral, and this is where the National Gallery's show becomes irreplaceable.

It begins with small portraits, each one of which can be focused upon as seldom before. A small likeness that has every appearance of being a self-portrait shows a man turned three quarters looking at the viewer with cool appraising eyes and the thinnest possible smile of repressed irony. His crimson turban has been described as "fanciful" by Western historians but it comes so close to the Iranian turban as to suggest some deliberate adaptation of the idea. Such a conceit, common among painters in the 18th century, but odd in the 15th century, is the earliest example of exoticism in Western dress. It has yet to be explained.

The inscriptions yield nothing on that score: On the lower frame, the painter left his name in Latin majuscules inspired by Roman antiquity and the date "1433, 21 October." On the upper frame, his motto "Als Ich Kan" (As [best] I can) is given in Greek capitals. The choice of the two alphabets,

eminently idiosyncratic, is equally curious. A second portrait poses other riddles. A man of uncertain age without hair, eyebrows or eyelashes stares, frozen in untold sadness. He appears behind a low stone parapet with a French inscription in Roman majuscules "LEAL SOVENIR" (in?) "faithful memory." Above it, Greek minuscules may be read as "Tymotheos" and, below the French words, a third inscription in Gothic letters says, in Latin: "By deed [? act] so far, historians assumed it to be missing an m and read actum, understood as done] in the Lord's year 1432, from [Iohannes] de Eyck." Was there a man called Timotheos? Was this painted as a souvenir of a deceased man, to honor a promise? Again, the conundrums remain unresolved.

But all this pales by comparison with the famous double portrait of a man and a woman standing in a room. The man with an extraordinarily ungainly face raises his right hand in a ritual gesture of commitment while extending his left hand to hold the woman's. Some have read this as a "left-hand marriage," implying an morganatic union between persons socially unsuited.

**O**THERS believe the woman is pregnant. The protective gesture with which she covers her body and her expression of smiling dreaminess would lend credence to that assumption, which finds further support in the figure of St. Margaret, protector of mothers-to-be, carved on a high-backed seat.

The mystery does not stop here. On the wall behind the couple, a Gothic inscription states in Latin that "Jan Eyck was here," with the date, 1434 — apparently the painter acted as a witness. Historians believe that the foppish man is a member of the Arnolfini family of tradesmen from Flanders, but hesitate between at least two candidates.

Some details of the image are also intriguing. The precision of the brass chandelier suggests that Jan van Eyck had more than a passing acquaintance with metalwork design. His portrait of a goldsmith, Jan de Leeuw, is another reason for investigating this possibility.

Perhaps, however, this merely goes together with the almost obsessive precision that characterizes all details in his pictures, from brocades to architecture. In one of Van Eyck's most admirable works, "St. Barbara," painted with the tip of the brush in the manner of a pen and brown ink, drawing the church under construction behind the saint bears an uncanny resemblance to the unfinished south tower of the Cologne cathedral as it stood until the early 19th century, as Dahnens discovered. The elevation could be that of a practicing architect.

The mastery of ancient languages, the psychological sharpness, the craftsmanship accuracy in material details, all go to outline the profile of a supremely literate Renaissance man of many talents.

As one leaves the show, it is hard to resist the feeling that a kind of northern Leonardo is beginning to emerge from the shadows of history.

## Museum Challenges Schiele Subpoena

By Judith H. Dobrzynski  
New York Times Service

**N**EW YORK — The Museum of Modern Art has moved to quash a grand jury subpoena requiring it to retain two paintings with disputed ownership that were lent to the museum for its "Egon Schiele: The Leopold Collection" exhibition.

The museum said the paintings, which were borrowed from the Leopold Museum in Vienna, are shielded from detention or seizure of any kind by the New York State Arts and Cultural Affairs Law, enacted 30 years ago.

The case turns on a difference of opinion on the scope of that statute, which protects cultural loans. Manhattan District Attorney Robert Morgenthau, who issued the subpoena on Jan. 7, just hours before the paintings were to be shipped back to Austria, says the law's protection does not extend to property in a criminal

The paintings, "Portrait of Wally" and "Dead City," are claimed respectively by the Bondi and the Reif families, who say the works were confiscated by the Nazis.

Dr. Rudolf Leopold, a 72-year-old Viennese ophthalmologist who acquired the works years ago as part of a huge collection, has steadfastly said he obtained the works legally. In 1994, he sold

investigation. But the museum said that the statute was unambiguous and unqualified. "The New York Legislature, using broad and all-encompassing language, provided that any work of art on public exhibition in New York state (or traveling to or from such exhibition) is absolutely immune from 'any kind of seizure,'" it said in its motion. In court Thursday, the district attorney's office agreed to respond to the Modern's motion Feb. 9. The museum will reply by Feb. 17, and Judge Laura Drager said she would decide by March 5.

The paintings, "Portrait of Wally" and "Dead City," are claimed respectively by the Bondi and the Reif families, who say the works were confiscated by the Nazis.

The museum, in explaining its challenge, asserted its concern for resolving ownership issues surrounding these and other paintings suspected of having been stolen by the Nazis. But it said in a statement: "The merits of the claims relating to these paintings do not require their presence in this venue, and the issuance of the subpoena poses grave risks to the ability of all museums in New York to undertake the kind of exhibitions which are so important and beneficial to the people of New York and the state's visitors."

## BOOKS

**THE SIMPSONS: A Complete Guide to Our Favorite Family**  
Created by Matt Groening. Edited by Ray Richmond and Antonio Coffman. 249 pages. Paperback, \$19.95. HarperPerennial.

Reviewed by Michael Dirda

**F**OR a long while, I used to scan the TV listings when I felt really tired, hoping to find some program to soothe a troubled soul or tired brain. Alas, almost nothing ever looked appealing enough to spend even 30 minutes of my adult life on. "Melrose Place"? Dramas about emergency rooms? Not for me, thank you.

Then, one frabjous day and long after the rest of the world, I discovered "The Simpsons." In years past I might have given temporary television allegiance to the original "Star Trek," to "Dr. Who" (Tom Baker only), and, long, long ago, to "The Avengers" and "The Prisoner," but "The Simpsons" has proven better than any of them. And it's only a cartoon — or, more accurately, an animated version of the Human Comedy (complete with recurring characters), a wickedly funny yet oddly affectionate satire of American life at the end of the 20th century. Imagine the unholy offspring of *Mad* magazine,

Mel Brooks movies, and reason why the shows bear repeated viewing. Happily, "The Simpsons: A Complete Guide to Our Favorite Family" has been organized with the addict in mind. This book includes a synopsis of every episode, original air dates, artistic credits (there are more writers than I realized for a show so consistent in tone), brief biographies of every major and many minor characters (from holier-than-thou neighbor Ned Flanders to Lunch lady Doris), quips and bits of dialogue, stills from each show, and pointers to the "stuff" you may have missed.

There's a punctilious, especially exhaustive list of every circumstance in which Homer says "D'oh!"; a complete Itchy and Scratchy filmography; and double-page spreads devoted to the Treehouse of Horror Halloween specials. Most valuable of all, I think, are the extensive quotations from each episode. Bart: "Dad, you shot the Zombie Flanders!" Homer: "He was a zombie?" Or this: "Captain's Log Stardate 6051: had trouble sleeping last night... my hystal hernia is acting up. The ship is drafty and damp; I complain but nobody listens" (an aged Captain Kirk, in "Star Trek II: So Very Tired"). Moe answers the phone at his tavern: "I'll check. Amanda Huggenbiss. Hey, I'm looking for Amanda Huggenbiss. Why can't I find Amanda

Huggenbiss?" A sign at Springfield's Worst Western Hotel: "Ask about our sheet rental."

I appreciate fully "The Simpsons: A Complete Guide" you should be familiar enough with the show to hear the distinctive voice of each character, from the gravelly cigarette-ravaged snickers of Marge's sisters, Selma and Patty, to the Tentonic mumbles of action-hero Rainier Wolfcastle (star of "Radioactive Man") to the laid-back legato of mobster Fat Tony and the annoyed rasp of teacher Edna Krabappel (she of the grading pen "Old Red"). The guide discloses that Harry Shearer does the voices of Smithers, Ned Flanders, Principal Skinner, Kent Brockman, Otto, Mr. Burns, Dr. Hibbert, Rev. Lovejoy, media psychotherapist Dr. Marvin Monroe (another personal favorite), Scratchy and the alien Kang, among many others. Dan Castellaneta and Hank Azaria include a similar number of characters in their spoken repertoires. Altogether, astonishing.

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## WORLDWIDE

R

## Banks Set Big Merger In Canada

**\$12 Billion Deal Designed To Thwart a Foreign Raid**

By Anthony DePalma  
New York Times Service

TORONTO — Canada's largest and third-largest banks agreed Friday to a \$12 billion merger that would create one of the biggest banks in North America and guard against their being swallowed by a foreign company if Canada further deregulates its financial industry.

The announcement that Royal Bank of Canada and Bank of Montreal want to combine sent their shares upward on the Toronto Stock Exchange, even as it raised concerns among consumers, small-business groups and unions that the resulting institution would be too large and too globally oriented to serve its Canadian customers properly. Royal Bank of Canada shares were at 75.60 Canadian dollars (\$52.02), up 3.75, and Bank of Montreal shares were at 67.55 dollars, up 10.30.

The new bank would be the 22nd-largest in the world and among the top 10 in North America, with about \$350 billion in assets, 92,000 employees and roughly 17 million customers.

The merger would represent one of the biggest changes ever to Canada's staid and stable banking industry, said Matthew Barrett, chairman of the Bank of Montreal. It will require federal government approval, and Finance Minister Paul Martin said no decision could be made before a task force, already in existence, made recommendations next autumn about possible changes to the country's banking industry.

Canada has only six fully chartered banks, and the country has protected their core businesses against international competition. Although foreign entities have been allowed into many aspects of Canada's financial sector, they are not allowed to accept deposits and offer retail banking services.

Pressure to change that has been building as banks consolidate worldwide and the availability of credit cards, mortgages and on-line banking services from abroad has brought international competition to the Canadian market.

In announcing the deal, the heads of the two banks said they thought it was better to plan for competition now than to wait and be swallowed by a larger international competitor.

"We are creating a Canadian bank that can go head to head with any bank anywhere," Mr. Barrett said. "What we don't plan to be is the corner hardware store waiting for Home Depot to arrive and put us out of business. What we plan to do is give the financial equivalent of Home Depot or Wal-Mart the stiffest competition around."



COURTESY CALL — B.J. Habibie, a close aide of President Suharto of Indonesia, presenting a gift of a gold-plated M-16 rifle to President Fidel Ramos of the Philippines during a visit to Manila on Friday.

## In Indonesia, Broken Dreams

**Currency Woes and Drought Take Most From Those With Least to Lose**

By Paul Blustein  
Washington Post Service

KARANG ASEK, Indonesia — A 42-year-old laborer named Wares sat in his ramshackle shop off the dirt road running through this village in central Java and glumly pondered what the Asian financial crisis will mean for his family.

"Up until now, most of my spare money was going to pay for my kid's school," he said, his mustachioed face clouding. "Now I don't know what I'm going to do."

Last weekend, Mr. Wares — who, like many Indonesians, uses only one name — lost his job as a construction worker building residential housing in a nearby city. He figures he can eke out a living by doing odd jobs, and his wife makes some money selling snacks in a local market.

But the dream of giving his son a high school education — which only about one in five children receive — may collapse because he will not have enough to pay for tuition, uniforms and books.

In villages like Karang Asem, and in small towns and cities across Indonesia, the nation's financial problems are starting to inflict real pain on the people. And those hurt most are, like Mr. Wares, the people who can least afford to lose.

For the last six months, the effects of

the crisis have been concentrated mostly in the ethereal world of financial markets. Indonesian stock prices have tumbled and the nation's currency, the rupiah, has lost more than 80 percent of its value against the U.S. dollar.

Now the crisis is moving into a new and potentially more explosive phase as citizens of the world's fourth most populous country lose their jobs and struggle with higher prices for everyday goods such as rice and cooking oil.

There are no exact figures for how many Indonesian workers have been laid off, but authorities do not quarrel with estimates by labor organizations that the number is approaching 1 million and rising fast. Economic growth, which ran at a robust annual pace of 6 percent to 7 percent over most of the past quarter-century, is officially projected to fall to zero this year, with inflation soaring to 20 percent.

Even these bleak forecasts are viewed as too optimistic by private analysts, because the massive flight of capital has left many companies starved for the cash they need to keep operating.

Adding to the economic nightmare is a severe drought that has turned rice fields brown and ruined crops in many parts of the country.

"Some people who lose their jobs will come back here and work as farmers, but

there isn't that much to farm in this area," said Pujo, a neighbor of Mr. Wares in Karang Asem, whose farmers lament that it has rained only three times in a rainy season that usually begins in November.

The multiple woes afflicting the country mean that safety valves traditionally open to the dispossessed are being closed. Usually, when a village is stricken by drought or some other disaster, residents stream to the cities — and when times get hard in the cities, the flow is reversed.

But now, opportunities are dwindling everywhere, including wealthier neighboring countries such as Malaysia, which is having its own economic problems and is considering shipping home its Indonesian guest workers.

Dennis de Tray, head of the World Bank's country program for Indonesia, worries that many Indonesians are heading for desperate times. "If the drought continues, which it appears to be doing, and the financial crisis doesn't get better, which it doesn't appear to be doing, it's going to be a very delicate period over the next six months to a year," he said.

All of this adds up to a volatile social brew that helps explain why, despite a widely heralded agreement on economic revisions announced Jan. 16 by Pres-

See RUPIAH, Page 13

## Seoul-Tokyo Dispute Over Fish Flares Up

**Both Sides Scrap Agreements as Talks Fail**

Courtesy Call in Our Staff Photo Dispatches

TOKYO — The South Korean government said late Friday it would end its curbs on fishing in waters off Hokkaido in retaliation for Japan's decision earlier in the day to end a 1965 bilateral fisheries agreement.

Japan notified South Korea that it would scrap the accord after 10 rounds of talks since May 1996 aimed at updating it to prove fruitless, Foreign Minister Keizo Obuchi of Japan said.

Foreign Minister Yoo Chong Ha of South Korea said Japan was to blame for any "negative consequences" that might occur as a result of the scrapping of the fisheries pact, Jiji Press reported.

Negotiations broke down over a territorial dispute centering on a tiny group of islets halfway between the two nations. The islands — called Tokdo by South Korea and Takeshima by Japan — are surrounded by rich fishing grounds. Japan and South Korea last year both signed the UN Convention on the Law of the Sea, which authorizes nations to proclaim 200-mile (320-kilometer) exclusive economic zones around their coasts.

The action triggered renewed conflict over rival claims by Japan and South Korea to the islets, which lie within 100 miles of the mainland of both nations. The treaty that Japan scrapped confines exclusive fishing rights to an area within 12 nautical miles of the mainland. That limit will stay in effect, however, because the treaty is valid for a year after either side decides to abolish it.

South Korea declared the Japanese decision as a "very unfriendly action" concerning one of the major treaties signed when the two countries normalized diplomatic ties in 1965.

Mr. Yoo called Kazuo Ogura, the Japanese ambassador to the Foreign Ministry in Seoul, to protest the move and suspended the accord that prohibits fishing in each other's contiguous waters.

The South Korean National Assembly's foreign affairs committee urged Seoul to summon home its ambassador to Japan, warning that the incident would damage bilateral ties and regional peace.

Seoul's Foreign Ministry said Ambassador Kim Tai Zhee in Tokyo would

rush home in response to Parliament's order to attend a session of the committee Monday on the issue.

Fishermen and activists said they planned an anti-Japanese rally in Seoul on Saturday.

The two sides agreed last October to set aside the territorial dispute in their fisheries talks, but they still differ on where to draw provisional fishing waters around the island group. "We have consulted to the limit but could not work it out," Prime Minister Ryutaro Hashimoto of Japan said.

Asked about the future of negotiations for a new treaty, Mr. Hashimoto said, "I have not yet fully thought out what will happen now, but I am not optimistic."

Seoul warned that if no new agreement were reached in one year, it would return to the lawless fisheries regime that prevailed before the 1965 treaty.

As Tokyo sought to soothe relations, its chief cabinet secretary, Kaneko Muraoka, said: "There is no change at all in our policy to further expand friendly and cooperative relations between Japan and the Republic of Korea."

"We would like to call on the South Korean side to start consultations as soon as possible."

But the South Koreans were not ready to head back to the bargaining table just yet. Mr. Yoo said that a "cooling-off" period would have to be passed before talks could be resumed.

Mr. Yoo repeated Seoul's demand that Japan immediately free a South Korean trawler that was captured Monday while operating in Japan's newly declared territorial zone.

Japan says the South Korean boats are deplying fish in waters near its shores. An eighth South Korean fishing boat was seized Tuesday by Japanese maritime police. South Korea has demanded its release. Seoul has yet to recognize the new baseline, which it says constitutes a violation of the 1965 fisheries accord.

Bloomberg, AFP, AP

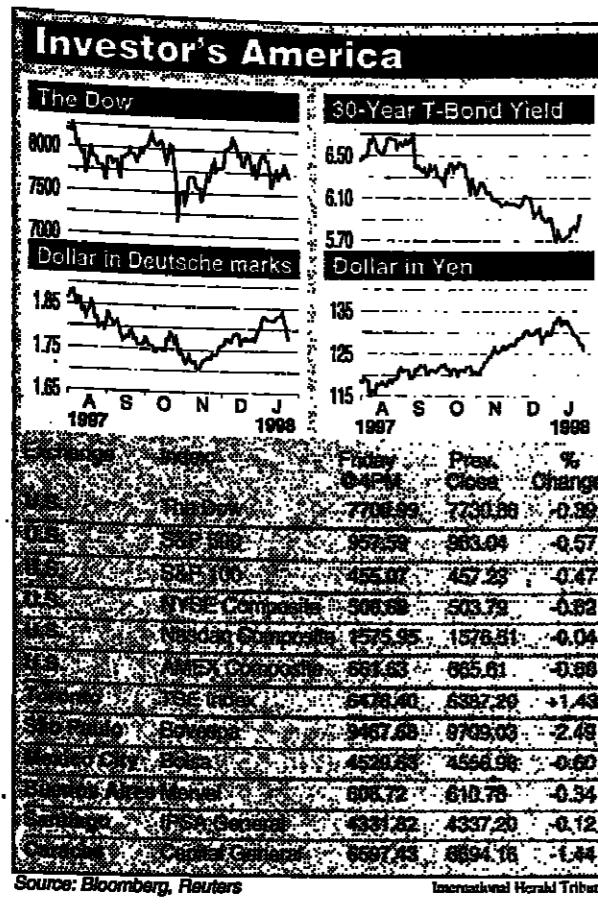
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• Chrysler Corp.'s profit rose 6 percent in the final three months of 1997, to \$852 million, as revenue rose 8 percent, to \$17.5 billion. For the full year, Chrysler earned \$2.8 billion, down 20 percent from \$3.5 billion a year earlier. Revenue for the year edged down 0.4 percent, to \$61.1 billion.

• Apple Computer Inc. disclosed in a yearly financial filing that its U.S. and worldwide market share fell in the quarter ended Sept. 30 to 3.1 percent from 5.2 percent a year earlier.

• Ogden Corp. is leading a group that agreed to spend \$7.23 billion over the next 30 years in fees and investments to operate and improve Argentina's airport system.

• US West Media Group Inc. is holding talks to increase its stake in Telewest Communications PLC, a British cable company, though it said no offer had yet been made. Sources said its US West International unit, which owns 26.75 percent of Telewest, is seeking the 10 percent stakes held by Cox Communications Inc. and SBC Communications Inc.

• Northwest Airlines and KLM Royal Dutch Airlines are cutting jobs as part of an agreement for KLM to take over Northwest's operations in Europe while Northwest takes over KLM's in North America. Most of the affected employees have been offered jobs with the partner carrier.

AP, Reuters, Bloomberg

**Strong Sales Lift Profit at Xerox**

The Associated Press

STAMFORD, Connecticut — Xerox Corp. said Friday its fourth-quarter profit rose 23 percent, lifted by stronger sales of its digital copying machines.

The company posted net income of \$525 million, up from \$426 million a year earlier. Revenue rose 7 percent, to \$5.4 billion. Xerox said the results were driven by strong sales of the company's new digital black-and-white copiers and growth in production publishing, color copying and printing.

**AMEX**

Friday's 4 P.M. Close								
Stock	Sales	High	Low	Last	Chg.	Opn.	Vol.	Chg. %
AMC	100	100	98	98	+1	97	100	+1.02
AMC st	100	100	98	98	+1	97	100	+1.02
AMCI	100	100	98	98	+1	97	100	+1.02
AMCI Pfd	100	100	98	98	+1	97	100	+1.02
AMCI Pfd C	100	100	98	98	+1	97	100	+1.02
AMCI Pfd D	100	100	98	98	+1	97	100	+1.02
AMCI Pfd E	100	100	98	98	+1	97	100	+1.02
AMCI Pfd F	100	100	98	98	+1	97	100	+1.02
AMCI Pfd G	100	100	98	98	+1	97	100	+1.02
AMCI Pfd H	100	100	98	98	+1	97	100	+1.02
AMCI Pfd I	100	100	98	98	+1	97	100	+1.02
AMCI Pfd J	100	100	98	98	+1	97	100	+1.02
AMCI Pfd K	100	100	98	98	+1	97	100	+1.02
AMCI Pfd L	100	100	98	98	+1	97	100	+1.02
AMCI Pfd M	100	100	98	98	+1	97	100	+1.02
AMCI Pfd N	100	100	98	98	+1	97	100	+1.02
AMCI Pfd O	100	100	98	98	+1	97	100	+1.02
AMCI Pfd P	100	100	98	98	+1	97	100	+1.02
AMCI Pfd Q	100	100	98	98	+1	97	100	+1.02
AMCI Pfd R	100	100	98	98	+1	97	100	+1.02
AMCI Pfd S	100	100	98	98	+1	97	100	+1.02
AMCI Pfd T	100	100	98	98	+1	97	100	+1.02
AMCI Pfd U	100	100	98	98	+1	97	100	+1.02
AMCI Pfd V	100	100	98	98	+1	97	100	+1.02
AMCI Pfd W	100	100	98	98	+1	97	100	+1.02
AMCI Pfd X	100	100	98	98	+1	97	100	+1.02
AMCI Pfd Y	100	100	98	98	+1	97	100	+1.02
AMCI Pfd Z	100	100	98	98	+1	97	100	+1.02
AMCI Pfd AA	100	100	98	98	+1	97	100	+1.02
AMCI Pfd BB	100	100	98	98	+1	97	100	+1.02
AMCI Pfd CC	100	100	98	98	+1	97	100	+1.02
AMCI Pfd DD	100	100	98	98	+1	97	100	+1.02
AMCI Pfd EE	100	100	98	98	+1	97	100	+1.02
AMCI Pfd FF	100	100	98	98	+1	97	100	+1.02
AMCI Pfd GG	100	100	98	98	+1	97	100	+1.02
AMCI Pfd HH	100	100	98	98	+1	97	100	+1.02
AMCI Pfd II	100	100	98	98	+1	97	100	+1.02
AMCI Pfd JJ	100	100	98	98	+1	97	100	+1.02
AMCI Pfd KK	100	100	98	98	+1	97	100	+1.02
AMCI Pfd LL	100	100	98	98	+1	97	100	+1.02
AMCI Pfd MM	100	100	98	98	+1	97	100	+1.02
AMCI Pfd NN	100	100	98	98	+1	97	100	+1.02
AMCI Pfd OO	100	100	98	98	+1	97	100	+1.02
AMCI Pfd PP	100	100	98	98	+1	97	100	+1.02
AMCI Pfd QQ	100	100	98	98	+1	97	100	+1.02
AMCI Pfd RR	100	100	98	98	+1	97	100	+1.02
AMCI Pfd SS	100	100	98	98	+1	97	100	+1.02
AMCI Pfd TT	100	100	98	98	+1	97	100	+1.02
AMCI Pfd UU	100	100	98	98	+1	97	100	+1.02
AMCI Pfd VV	100	100	98	98	+1	97	100	+1.02
AMCI Pfd WW	100	100	98	98	+1	97	100	+1.02
AMCI Pfd XX	100	100	98	98	+1	97	100	+1.02
AMCI Pfd YY	100	100	98	98	+1	97	100	+1.02
AMCI Pfd ZZ	100	100	98	98	+1	97	100	+1.02
AMCI Pfd AA	100	100	98	98	+1	97	100	+1.02
AMCI Pfd BB	100	100	98	98	+1	97	100	+1.02
AMCI Pfd CC	100	100	98	98	+1	97	100	+1.02
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AMCI Pfd XX	100	100	98	98	+1	97	100	+1.02
AMCI Pfd YY	100	100	98	98	+1	97	100	+1.02
AMCI Pfd ZZ	100	100	98	98	+1	97	100	+1.02
AMCI Pfd AA	100	100	98	98	+1	97	100	+1.02
AMCI Pfd BB	100							

## Bank Sees Euro Start At \$1.0753

Reuters

**LONDON** — Deutsche Morgan Grenfell has begun forecasting the exchange rates at which the planned single European currency, the euro, will trade against other major currencies, an analyst at the bank said Friday.

In its latest monthly publication, the company's analysts forecast that the euro will start life at \$1.0753, at 140 years and at 73.53 British

peso for European economic and monetary union begins on schedule Jan. 1, 1999.

"We have a responsibility to ensure our publications are up to date, given that we are the biggest European bank in the EMU area," said Jens Dallmeyer, economist at Deutsche Morgan Grenfell in Frankfurt. "We regularly publish 12-month forecasts for currencies and interest rates, and this is the first time it reaches into monetary union."

The analysts assume that all European Union countries except Britain, Sweden, Greece and Denmark will launch monetary union at its scheduled outset.

They also assume that conversion rates between national currencies and the euro will correspond to the theoretical market value of the European Currency Unit, or Ecu, in its national currencies at the end of 1998.

This is because the rules adopted at the Madrid summit in 1995 require the Ecu to be replaced by the euro at a one-to-one rate and for the external value of the unit to be unaltered by the transition to currency union.

The bank said its euro forecasts were based on the expectation the pound will fall to trade at 2.65 Deutsche marks and \$1.47 by the end of the year. It currently trades at about 2.97 DM and \$1.65.

Compiled by Our Staff From Dispatches

**LONDON** — Stock in EMI Group PLC plunged Friday after the British music company said the economic troubles in Asia would hurt profits.

"Trading in the Asia-Pacific markets, including Japan, was not good," said the company's chairman, Sir Colin Sonning, referring to sales over the Christmas season. "Consumer confidence in these markets has suffered a severe setback, and this is being reflected in music sales." Asia accounts for nearly a fifth of EMI's global sales, with a substantial portion of that in Japan.

EMI, whose artists include the Spice Girls, Janet Jackson and Garth Brooks, said operating profit would be £25 million (\$41.2 million) lower than expected, prompting its shares (\$45.60), down 4.10.

EMI plans to consolidate record labels and reduce staff in the Asia-Pacific region, Finance Director Si-

for the current year.

Analysts said they were cutting profit forecasts for EMI by an average 10 percent. Expectations for pretax profit now range from £300 million to £315 million, based on a survey of five analysts. EMI had pretax profit of £280 million in the year ended March 31, 1997, on sales of £34.4 billion.

"The problem lies in Japan," said Jason Crisp, an analyst at Societe Generale, "where the market is weak, they have failed to get their cost base under control, and their position is weakening because they've got a poor line-up of acts."

EMI's warning helped drag down shares of other record companies, including PolyGram NV, which closed in Amsterdam at 92.40 guilders (\$45.60), down 4.10.

EMI plans to consolidate record labels and reduce staff in the Asia-Pacific region, Finance Director Si-

mon Duffy said. He said the Japanese market "appears to be down by about 8 or 9 percent, and we would like to reduce the cost of operations in Japan."

The global market for recorded music has suffered sluggish sales in the last two years after it nearly tripled, to \$40 billion between 1988 and 1993. The maturing of the compact disc market has contributed to the slowdown, analysts said.

"The situation is actually a lot worse than anyone realizes," said Michael Woodcock, an analyst at Nikko Europe PLC, of EMI. "As far as the share price is concerned, it's probably too late to sell but too soon to buy," he said, adding that EMI shares look cheap relative to competitors such as PolyGram.

EMI said it would need to make additional provisions to cover advance payments to artists, due to

lower-than-expected Asian sales volumes. Performers typically sign contracts to receive advance payments from their music company based on expected sales volumes.

While sales volume in the Asia-Pacific region is down on last year, the company said it expected overall sales for the year to increase 3 percent at constant exchange rates.

Anthony de Larmagnac, an analyst at Panmure Gordon, said, "The squeeze in Japan and the Asian markets is not unexpected." But he added that a question mark remained over how much of the £25 million would be provisions for rationalization.

He said the £25 million, which is equivalent to about 7 percent of EMI's per-share earnings, should be seen in the context of a much larger £125 million charge taken last year for restructuring in the United States. (Reuters, Bloomberg, AFX)

## EMI's Stock Falls as It Warns of Trouble in Asia

**COUNTDOWN** — Lists forecast that the euro will start life at \$1.0753, at 140 years and at 73.53 British

peso for European economic and monetary union begins on schedule Jan. 1, 1999.

## Porsche's Net Fails to Meet Expectations

Bloomberg News

**STUTTGART** — Porsche AG projected Friday that its profit in the first six months of its financial year would rise a less-than-expected 69 percent as production of its 911 sports car slowed for the introduction of an updated model and its less expensive Boxster dominated sales.

According to preliminary figures, net profit rose to 65 million Deutsche marks (\$36 million) in the six months ending next Saturday from 38.4 million DM a year earlier, the luxury sports-car maker said.

Six analysts surveyed by Bloomberg News had expected a rise to about 80 million DM.

Along with other German carmakers such as Daimler-Benz AG and Bayerische Motoren Werke AG, Porsche is benefiting from a seemingly unquenchable demand for luxury sport cars at home and abroad. Demand for Porsche's two models, the Boxster and the redesigned 911, are so great that some customers must wait a year.

The problem with the first half is that the average price for their cars was

dominated by the Boxster, which is much cheaper than the 911," said Jürgen Heinz, an analyst at Westdeutsche Landesbank in Duesseldorf. "This effect will be canceled out in the second half as 911s sales pick up."

The Boxster has a price tag of about 75,000 DM, compared with about 135,000 DM for the 911. In the first half, Porsche sold 6,800 of its 911s and 8,100 Boxsters.

Porsche shares fell 17.50 DM to close at 3,197.50.

Separately, Wendelin Wiedeking, the chief executive, gave his strongest indication yet that Porsche would go ahead with plans to produce an off-road vehicle, saying it "would fit excellently into our brand."

The Boxster, the Porsche model with a price tag of 75,000 DM (\$41,600) that dominated first-half sales,

Mr. Romiti is to resign in June, and sources said that the vice president of Fiat, Gian Luigi Gabetta, might take control in the interim.

Mr. Agnelli thanked Mr. Romiti "for all of the important and very difficult things accomplished for Fiat during a period of 25 years."

Asked if he would change the company's management team, Mr. Fresco said that he would come to Fiat alone and that he "would like to work with the existing team." Mr. Fresco became a director of Fiat in June 1996 on a recommendation from the Agnelli family, the biggest shareholder.

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NYSE

**Friday's 4 P.M. Close**

The 2,600 most traded stocks of the day.  
Worldwide prices not reflecting late trades elsewhere.

→ Not renewing rule in  
*The Associated Press.*

# EGYPT

## LIBERALIZATION. DEREGULATION. PRIVATIZATION.

We have become better than any time before. I work to improve the economy and I work for my people and do not spend money on niling weapons or killing.

**- PRESIDENT MOHAMAD HOSNI MUBARAK**  
*interview with the Chinese Tribune.*

WONDER OF THE PAST.  
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THE FUTURE**

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Corniche El-Nil Street, Haifa, Israel. Tel: 04-829-4434 Fax: 04-829-4430. E-mail:

## Young Markets

# Global Investors European Review

**Continued on Page 1.**



**NASDAQ**

**Friday's 4 P.M.**

The 1,000 most traded National Market securities  
In terms of dollar value, updated twice a year.  
The Associated Press

The Associated Press.

NYSE

**Friday's 4 P.M. Close**  
**(Continued)**

Philos

## Inflation

## If Philosophers Managed Portfolios, What Would They Be Worth?

By Conrad de Aenle

**I**NVESTORS IN search of stock-picking wisdom often turn to modern sources, people with names like Lynch, Templeton, Buffet. But what would they learn if they could consult some of history's great theorists?

The Money Report asked Don Sull, a professor of strategic and international management at London Business School, to pick half a dozen philosophers whose beliefs, ethics and teachings could be encapsulated into modern investment profiles. The only provision was that the philosophers should be as diverse in geography, historical period and school of thought as possible. Mr. Sull and a pair of investment advisers then created stock portfolios to fit each philosopher.

Mr. Sull's six are: Sun Tzu, the Chinese military strategist who lived in the early 4th century B.C. but whose ideas about conflict are still studied today by armies and corporations; Marcus Aurelius, the 2nd-century Roman emperor and leading Stoic philosopher; Niccolo Machiavelli, the Italian political theoretician of the Renaissance whose legacy is the adjective derived from his name that is used to describe pragmatic, amoral leaders; Benjamin Franklin, 18th-century inventor, publisher, diplomat and American revolutionary; Friedrich Nietzsche, whose philosophy of the *Übermensch*, or Superman, in the 19th century, a paean to individual self-actualization through hard work, was misunderstood and associated with Hitler; and Mao Zedong, a founder of the Chinese Communist Party and leader of China from the Communist state's founding in 1949 until his death in 1976.

In picking stocks, the analysts were asked to concentrate on the philosophers' beliefs and not on their personal financial circumstances, aspects normally taken into consideration when planning a client's investments. No doubt Marcus Aurelius and Franklin would have had greater resources at their disposal than Mao, and it was not immediately known what marginal tax bracket Sun Tzu was in and whether he had a mortgage with which to contend.

**A**S SUN TZU'S "The Art of War" makes clear, he was not a proponent of confrontation. "To overcome others' armies without fighting is the best of skills," he advised.

As an investor, Mr. Sull said, Sun would probably prefer companies that have leadership positions. "He believed in preempting your competition, so he would like monopolists — but then who wouldn't?" he said.

A reading of "The Art of War" suggests that Sun would favor companies that expand into new territory and new lines of business only when they can exploit weak competitors with minimal expenditure and little chance of failure. "Good warriors take their stand on ground where they cannot lose and do not overlook conditions that make an opponent prone to defeat," he wrote.

In trying to fit Sun's philosophy into investing, said Roger Noddings, head of international asset allocation at James Capel Investment Management, a unit of HSBC Holdings, "the principle to look for seems to be unmeasuring exploitation of a strong business position."

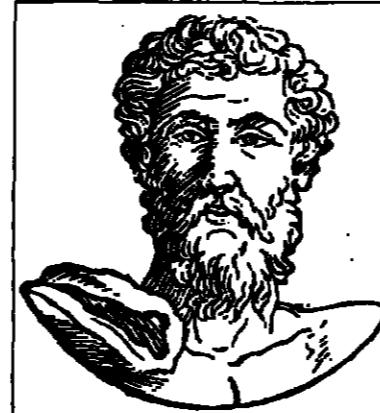
"Microsoft would be a good example, but for recent friction with the Justice Department," he added.

Microsoft Corp., the leading maker of operating software for personal com-

## General Electric Makes the Grade With 3 Out of 6 Great Thinkers



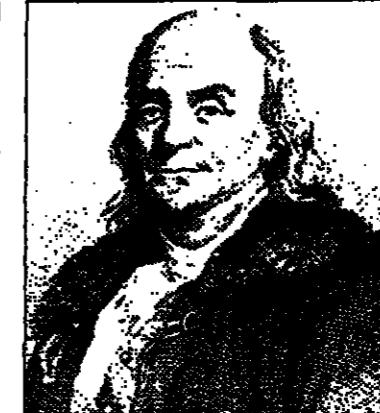
*The most difficult things in the world must be done while they are still easy.*  
Sun Tzu  
Might have picked: Nokia



*Either instruct or endure.*  
Marcus Aurelius  
Might have picked: Nestle



*A prince does well to surround himself with serious advisers.*  
Niccolo Machiavelli  
Might have picked: Microsoft



*One man of reasonable ability may work great change.*  
Benjamin Franklin  
Might have picked: General Electric



*Eternal recurrence.*  
Friedrich Nietzsche  
Might have picked: Gillette; General Electric



*Let a thousand flowers bloom.*  
Mao Zedong  
Might have picked: Netscape; General Electric

were inclined toward short-selling, a good candidate might be Rupert Murdoch's News Corp., renowned for its Byzantine organizational structure.

For Mr. Noddings, "Stoicism brings to mind the Swiss multinationals — dull, worthy, enduring and successful." Some examples, he said were Nestle SA, the food-based conglomerate, and the pharmaceuticals concern Roche Holding AG.

Several of those adjectives, especially the last, aptly describe Warren Buffet, chairman of Berkshire Hathaway Inc. Mr. Buffet suggested that the Roman emperor and the modern-day concern of Omaha would be of like minds when picking stocks.

"Warren Buffet epitomizes the Stoic values in his approach to investment," Mr. Broby said. "I am sure that if Marcus Aurelius were alive today, he would share his wisdom. I suspect he would prefer Coca-Cola to sweet Roman wine in both his portfolio and personal life."

Marcus might find one aspect of Coca-Cola Co. not to his taste, however. Mr. Sull noted that Stoics found praise to be harmful, so he might prefer stocks that are so popular that their shares are priced at 40 times annual earnings.

**N**ICCOLO MACHIAVELLI believed that life is lonely at the top, so counseling would-be leaders that "for the prince, there is no final court of appeal." He was a pragmatist, saying that it was better to be loved than feared, but that

he would do well to surround himself with serious advisers.

Another bit of advice from Machiavelli is that if there is a conflict between two neighbors, pick one above the other. He would likely take big bets, Mr. Sull said, favoring companies making one form of technology, say, over those making a rival form. So he might

"Perhaps he should buy Berkshire Hathaway," the holding company for Mr. Buffet's diverse investments.

Mr. Broby came up with a choice that reflects Machiavelli's strengths as a pragmatic thinker and shrewd observer of politics and human nature: Corrections Corp. of America, the publicly listed prison operator.

In his principal work, "The Prince," Machiavelli also argued that "a prince does well to surround himself with serious advisers," Mr. Sull said, and so his chosen investments would be companies "hiring from a gene pool other than its own" to bring in fresh ideas.

An example he gave is Microsoft Corp., where Bill Gates surrounds himself with people with different opinions.

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like Oracle Corp. or Microsoft, but not both of the software leaders.

**B**EING A PRODUCT of the Enlightenment, Benjamin Franklin, who compiled a list of seven sins he felt he must overcome to achieve moral perfection, might be an advocate of ethical investing. His basically conservative and prudent nature might also compel him to seek out companies with strong balance sheets, Mr. Sull said, recalling Franklin's belief that "it is hard for an empty sack to stand upright."

Franklin was the one who first observed that "time is money," and so he might also favor companies implementing programs to boost productivity.

Another of his famous sayings is, "In this world nothing can be said to be certain except death and taxes." He might therefore be keen to shelter his portfolio in tax-advantaged vehicles and prefer companies that are able to keep their tax obligations to a minimum.

Focusing on that other sure thing, Mr. Broby said: "Picking a stock for Benjamin Franklin is easy. I am sure that he would appreciate the actuarial certainty of the earnings of Service Corp., the world's largest funeral provider."

As for management, Mr. Sull said, Franklin believed that "one man of reasonable ability may work great change." He would possibly choose stocks of companies with a conspicuous leader, like Jack Welch at General Electric Co., over companies run by consensus through a management board, he added.

Mr. Noddings tried to come up with the perfect company that would dovetail with all of Franklin's beliefs and interests. "Screening my favorite green stocks with productivity, strong balance sheet and leadership, my top pick would be the Thermo Electron-Thermo Instruments group," he said. Both companies, listed in the United States, make high-technology testing equipment, such as a device that measures pollution from power stations and another used to detect explosives at airports.

"It is easy to see why General Electric — the American one — is the world's largest company. It seems to be on each philosopher's buy list."

Mr. Sull said that Mao might also, therefore, have liked companies with leaderships that promote cultural revolutions of their own by initiating wholesale shakeups to renew their firms' missions and operations. He cited three such companies: ABB Asea Brown Boveri, Alstom Signal Inc. and, yet again, GE.

Nietzsche also believed in "eternal recurrence," the notion that the same patterns of events happen continually, so he might like companies that rely heavily on repeat sales, such as makers of consumer staples. Mr. Sull said, Gillette Co., for instance, sells a razor only once but blades are sold over and over.

Mr. Broby offered an intriguing bit of logic to argue that Nietzsche would eschew individual stock selection altogether: "Nietzsche believed we live in the best of all possible worlds," he said. "It follows, therefore, that he believed that stock prices correctly reflect all known information. Were this not the case, a better world would exist — that is, a world where an individual stock is incorrectly priced and it has a subsequent adjustment to reflect this. As a belief in the efficiency of the market, Nietzsche would be drawn to a proxy for the market and purchase an index fund."

Mr. Noddings took the discussion of Nietzsche to express his own disdain for the hubris exhibited by some corporate managements.

Nietzsche believed in the "Superman," he said. "A number of companies may have felt it referred to them. The ones that come to mind are the U.S. banks, whose overweening global ambitions were behind their collapse in the late 1980s."

Mr. Noddings said Citicorp and Chase Manhattan Corp. fit this profile, but he warned investors to think twice about following this strategy. "Don't forget, Nietzsche went mad."

**M**AO WAS PROBABLY not a voracious reader of the financial pages, and Mr. Broby expressed doubts that the Chinese leader "would have appreciated companies pursuing the profit motive."

He might, however, have been attracted by the largely loss-making Internet enterprises, he added. "After all, he believed in continual revolution and alternative economic paradigms."

In particular, he said, he might go for Netscape Communications Corp.

Mr. Sull, literally interpreting one of Mao's catch-phrases, "Let a thousand flowers bloom," said he might have invested in companies that foster bottom-up initiative from their staffs. An example he cited is Minnesota Mining & Manufacturing Co.

The notion of "bottom-up initiative," Mr. Noddings said, could apply to his own corporate parent, HSBC Holdings PLC, which is being based in Hong Kong also comes under the domain of Mao's successors in Beijing.

"Coming as it does from what was once a remote part of the world," he said, "it has a tradition of locally deserved responsibility."

Looking beyond the home team, Mr. Noddings suggested an alternative.

"On a smaller scale," he said, "Halma is a U.K. conglomerate renowned for a devolved management style with emphasis on niche markets.

Halma PLC offers electronic control devices, capital equipment and environmental services around the world.

Mao may have believed in bottom-up initiative, but only in small doses: His Cultural Revolution was strictly a top-down affair.

Mr. Sull said that Mao might also, therefore, have liked companies with leaderships that promote cultural revolutions of their own by initiating wholesale shakeups to renew their firms' missions and operations. He cited three such companies: ABB Asea Brown Boveri, Alstom Signal Inc. and, yet again, GE.

## In Deflation's Looming Shadow, Cool Investors Have an Eye for Opportunity

**S**MART LONG-TERM investors never let a crisis worry them, but it is hard to live with blinders on and ears plugged. When you read, watch and hear stories about rampant deflation, Asian collapse and the imminent departure of a president, it is only natural to worry about your stocks.

Even if you follow a strict buy-and-hold discipline, you will be faced with the question: Where do I put new money? Or, if you have just refinanced your house: Where do I invest the \$300 a month that no longer goes to the mortgage company?

Let's get the White House crisis out of the way first: No matter what you think of Bill Clinton, uncertainty about his tenure is not good for the stock market. In fact, if we judge from history, it is horrendous.

Look at Watergate. The stock market peaked in January 1973, just as the burglars were appearing before a Washington judge. The Dow Jones industrial average then began a sickly decline. It was down more than 40 percent by the time Richard Nixon resigned in August 1974, leveled off and started back up just after the congressional elections. But the Dow took more than eight years to get back to its 1973 high.

Of course, it is hard to separate the Watergate effect from the bad economy the country was suffering at the same time. Still, Republicans who own stocks might consider dampening their profits. A stock market that expects profits to rise at 10 percent or more annually will not be pleased.

The forces that have brought the U.S. inflation rate down (the condition is called disinflation) are benign: excellent monetary management by the Federal Reserve Board, competition from abroad and at home, advances in

technology that allow firms to do more with less. But now there is a new factor: Deflation is being exported from Asia, where overinvestment and overproduction have led to currency devaluations, economic slowdowns and stock market meltdowns.

When the price of a shirt made in Thailand falls, the price of a shirt made in the United States has to fall, too — or it won't be sold. When a semiconductor plant in South Korea has to be

sold at a foreclosure price, then the

value of every semiconductor plant in the world drops — and so, often, does the stock of semiconductor-makers.

What to do? Richard F. Hokenson of Donaldson, Lufkin & Jenrette, who has been talking about the threat of deflation for many months, said recently in a report to portfolio managers: "A big problem for the equity market is that ... earnings estimates are too high. For those who have to own stocks, selectivity becomes highly critical.... For the time being, we will stay in high-quality stocks at least until earnings estimates become substantially more realistic."

Bonds are an obvious choice. As rates fall, the value of a bond you already own rises. Say you bought a 30-year Treasury bond last spring, when rates were over 7 percent. Today, rates are below 6 percent. Since your old bond continues to pay 7 percent, it is more valuable. If you wanted to sell it, you could get a premium — about 30 percent more than what you paid.

But bonds, whether they are issued by governments or corporations, will only appreciate in value if rates con-

tinue to fall. After dropping sharply for six months, they have started back up this week. Some analysts — including those at Bridgewater Associates, the Wilton, Connecticut, firm that provides research to some of Wall Street's top investors — believe that this is not the time to get into the bond market.

"Bond sentiment" said a report on Thursday, "remains vastly overbought." In other words, too many people have purchased bonds, artificially

JAMES GLASSMAN ON INVESTING

raising prices and lowering yields.

Maybe. My own view since August has been that investors should assiduously review their holdings and make sure they have enough bonds. Most portfolios do not.

But what about stocks? Merrill Lynch & Co. recently published a fat report called, "The New World of Deflation: Implications for Investors." One conclusion was that cable TV, telecommunications and utility companies will benefit, since they are protected from Asian imports and their costs (both supplies and borrowing) will fall in a deflation.

For example, BI Research which has produced the second-highest returns over the past 10 years of the 59 newsletters tracked by the Hulbert Financial Digest, has recommended Amerlink Corp., which constructs and installs cabling systems for telecom companies. The stock dropped more than one-third from October to December but has risen 15 percent this year.

Other beneficiaries from deflation include soft-drink bottlers, which will also gain from lower expenses but do not

have to worry about demand flagging even if consumers get depressed, and defense companies, since, says Merrill Lynch, the administration lets the Department of Defense keep and spend any savings it gets from low inflation in the cost of their programs."

In its report, Merrill cites companies in the food, consumer products, drug and software sectors as "defensives." They have no excess of productive capacity, and Asian imports are not much of a threat to them. In some industries, including film, electrical equipment and computer technology, "price deflation has been a way of life for a long time, so the current environment is just more of the same," writes Merrill's Jeanne Terrie.

The game of trying to analyze industries and companies in a deflationary environment is one you can play yourself. Think about airlines, for example. They have reaped a bonanza from falling oil prices. USAir Group Inc., for example, has nearly tripled in price in the past year. But some airlines are already feeling the impact of falling demand in Southeast Asia. United (UAL Corp.) reaps 21 percent of its sales from its Pacific routes while American (AMR Corp.) and Delta Air Lines Inc. collect only 2 percent each.

Or consider fast-food restaurants. They can expand using cheaper credit; their costs should decline and it is doubtful that demand for hamburgers and chicken will fall off. The only problem is that there may already be too many McDonald's outlets in the United States, and expansion plans for Asia are going sour. That's why a company like Starbucks Corp., down 13 percent in the past month, may hold more promise.

Large multinational banks have already been hit hard by the Asia-deflation crisis. Chase Manhattan Corp. and Citicorp have dropped 20 percent since October. But some analysts are high on banks that receive a big chunk of their revenues from fees and do not have much exposure to borrowers who might default. David Hilder and Rosalind Virr of Morgan Stanley Dean Witter, Discover & Co., for instance, recently issued a "strong buy" rating for Bank of New York Co., whose earnings from trusts and stock-transfer processing are souring. The stock price has been flat since November.

But often the best plays in an environment like this one are contrarian. In other words, it is no secret that Chase has serious exposure with its Asian loans, so the diminished earnings that should result may already be reflected in its price. I am not saying that Citicorp and Chase are necessarily good buys right now, but other banks that have been dragged down may be.

One is Republic New York Corp., which does business on five continents (including, obviously, Asia) but which holds only 20 percent of its assets in loans. It will soon be generating 50 percent of its profits from private banking services for rich clients. "The stock," says Merrill's Judith Kraushaar, "has traditionally been a safe-haven when earnings pressures surface for other banks because of its history of low-loss experience and unusually high capital ratios." So far, however, investors have been shunning Republic, which trades at a price-to-earnings ratio of 13.

*Washington Post Service*

For further information, contact:

• BI RESEARCH Telephone: 1-201-270-9244



## THE MONEY REPORT

## Look Down for Stocks to Grow Up

## 'Unrealized Value' Is the Key to Bottom-Up Investment Strategy

By Digby Larmer

FOR THE uninformed, the idea of an investment portfolio going bottom up may sound like the aftermath of a nasty stock market crash. In fact, the bottom-up approach is the staple of professional investors worldwide.

It involves picking stocks for reasons specific to particular companies, regardless of the prospects of their sector or market. In other words, no matter how markets are performing, some stocks have more value than others.

Richard Worts, a spokesman for the Bermuda-based GAM Global Asset Management, said that several of GAM's fund managers used the bottom-up philosophy.

"For us, the whole process begins, ironically, by taking a macroeconomic view," he said. "From that, we select countries or sectors we think are worth looking at. After that, rather than taking a broad sweep of stocks, we get a locally based manager to make a bottom-up selection."

The advantage this has over some other philosophies is that it focuses the portfolio on a group of stocks with strong growth potential.

The disadvantage, especially for private investors, is the amount of time and effort needed to research individual stocks, he added. This can be done in several different ways and some methods are less arduous than others.

GAM managers meet corporate executives and tour production units of the companies in which they invest.

"We avoid getting bogged down in most of the statistical material that's available," Mr. Worts said. "What we're looking for are stocks with unrealized value. Measures of value measures tend not to pick that up."

By visiting individual companies, investors get a feel for the quality of management and get a first-hand view of the products and services on offer.

"It's amazing the sort of ideas you

pick up from just touring a factory," he said. "For example, you may see a pile of rusting tubing or some raw material that suggests production is slowing."

What Mr. Worts likes most about bottom-up investing is that it can be applied to any market or sector, regardless of the prevailing investment trend.

"We've been underweight in the Far East for about the last year, but we haven't abandoned it altogether," he said. "Roughly 6 percent of our assets are now invested there, primarily in Japan. By looking for stocks that are basically sound, we can insulate ourselves from the gyrations of the market."

The largest portion of GAM funds are invested in Europe. Two of Mr. Worts' current favorites are Telecom Italia SpA, Italy's privatized telecommunications business, and the Swiss pharmaceutical company, Novartis AG, created by the merger of Sandoz and Ciba-Geigy in 1996.

"The Italian market, especially, seems to be throwing up a number of good value stocks at the moment," he said.

For investors with neither the time or expertise to build close relationships with corporate executives, there are alternative bottom-up methods.

Jayesh Manek, chief executive officer of Manek Investment in Britain, uses standard value measure to make bottom-up selections. His aim is to invest in businesses that will outperform their market average over the medium and long term.

"You can't get it right all the time, but if 60 percent of our stocks perform well we can still do better than average," he said. He added that bottom-up portfolios tend to concentrate on a smaller number of stocks than those taking a broad view of a market or sector.

"On a bottom-up basis, your 100th stock is rarely as strong as your first, so we stick to around 30 or 40," he said.

The figures he uses to make selections are readily available. The initial selection is made on the basis of earnings growth.

"We look for a history of between

three to five years of above earnings growth," Mr. Manek said. "On top of that, we want to see projections for the same level of performance over the next couple of years."

This is compared to the firm's average price-to-earnings ratio over the same period. The lower the P/E ratio, the better growth potential it is thought to have.

"None of these factors is much use in isolation and we like to see a P/E figure that is lower than average earnings," he said. But he noted that not all his selection criteria were qualitative.

"Very often there are key factors that set a business apart from its competitors," Mr. Manek said. "We're especially interested if it has strong cash flow, that sort of thing. It helps limit any possible downside."

**H**IS CURRENT favorite stocks are both British. The first, JJB Sports PLC, has growth expectations of up to 40 percent over the next two years, he said.

"Its cash flow is better than its profits and its return on capital is very good," he said. "On top of that, its franchising ability is very strong."

Since picking up on the stock two years ago, its value has gone from £1.60 (£2.70) to £6.00.

"It's hard to say how high it might go from here, but we certainly expect it to do better than the market average," Mr. Manek said.

His second choice is Anite Group PLC, which two years ago was a debt-ridden mess. Since then, it has sold off a number of unprofitable businesses and focused on its money-making software activity.

"Thanks to its restructuring," he said, "Anite has climbed from a net debt position to having a cash surplus of more than £40 million." Its stock has been rising, albeit irregularly, since November, when it touched a low of 39.5 pence. On Friday, it traded at 57 pence.

Although Mr. Manek expects to hold each stock for at least five years, he said it was important to monitor them for adverse changes.



## Fund Shuns Risk but Limits Reward

By Carole Gould

THE CONVENTIONAL wisdom is that only risk-takers can hope to win big in the investing game. But that does not stop market strategists from trying to rake in competitive returns with low risk.

One such strategy, called "market-neutral," has long been used by wealthy investors. Now, thanks to the Taxpayer Relief Act of 1997, U.S. mutual funds can do market-neutral investing. The first one to adopt the strategy is the San Francisco-based Barr Rosenberg market-neutral fund.

"It's wonderfully seductive, like sugar without the calories," said Michael Stolper, who evaluates investment managers for wealthy clients. "But it's terribly difficult to get right."

It is important for investors to remember that market-neutral investing aims to produce steady, moderate gains, not spectacular ones.

"In a bull market, a fund like this won't share in the upside at all," said Paul Pudalte, director of quantitative research for Morningstar Inc., the Chicago-based fund-tracker.

Because investors face the likelihood of heavy taxes while forgoing high returns, market-neutral is perhaps not the holy grail after all.

Market-neutral investing, which has been around since 1949, when the first hedge fund was set up, gained favor in the late 1980s after the stock market crash of 1987. Investors looked for ways to make money whenever the market moved, and market-neutral was one answer.

In market-neutral investing, managers invest money in stocks they believe are undervalued and then "neutralize" the risk by shorting an equal amount of stocks that they believe are overvalued — that is, selling borrowed shares. The expectation is that the price will fall and the borrowed securities can be repaid with shares that cost less.

These gains are 12 percentage points and 8 percentage points, respectively, over the yield of three-month Treasury bills. The long positions make money and the shorts lose money. When the market falls, the opposite occurs.

**I**N EITHER CASE, the Treasury provide a money-market return if the strategy works perfectly, the long stocks earn more than the shorts lose, adding to the portfolio's profit. The tricky aspect is that it all depends on stock-picking — getting the right longs and the right shorts.

The tax-law change that allowed mutual funds to adopt market-neutral investing was the repeal, effective Jan. 1, of what was known as the short-

short rule. It had prohibited funds from earning more than 30 percent of their income from short-term gains, and all short sales were deemed short-term.

In Barr Rosenberg's fund, management plans to use a computer-based model to rank the universe of small- and mid-capitalization stocks. It will buy the most attractive ones and short the least attractive. A composite of the institutional accounts it manages using similar strategies gained 17.66 percent for the three years that ended on Nov. 30, the company said, and 13.85 percent for five years.

These gains are 12 percentage points and 8 percentage points, respectively, over the yield of three-month Treasury bills. The long positions make money and the shorts lose money. When the market falls, the opposite occurs.

Despite the reassuring name, market-neutral funds carry risks. Two fixed-income private partnerships billed as market-neutral, Granite Partners and Fenchurch Capital Management, fell apart after the bond market sagged in

1994.

Investor shares in the Barr Rosenberg fund carry a \$2,500 minimum investment. Fund expenses are expected to run 2.5 percent a year, not high relative to hedge-fund costs but well above the average mutual fund's expense ratio of less than 1.5 percent.

**K**EN GREGORY, publisher of the No-Load Fund Analyst in San Francisco, is adding substantial stakes, up to 21 percent, in the new fund to his publication's recommended portfolios. "Because the returns from market-neutral are not correlated with stocks or bonds, the investment offers powerful diversification benefits," he wrote in December.

He is optimistic about its performance, too. "If we are right about stock market returns falling somewhere between mid-single digits to low double digits over the next three to five years, then the returns from market-neutral have the potential to be very competitive, with much less risk than the stock market," he said.

Still, he conceded that the key to successful market-neutral investing is carefully matching the long and short portfolios, mitigating not only market risk but also exposure to specific industries, interest-rate fluctuations and other risks.

New York Times Service

But the spread is less than 3 percentage points for the 10 years that ended Nov. 30, when the market-neutral accounts gained 8 percent, the company said. And an 8 percent gain looks far less attractive when compared with the Standard and Poor's 500 stock index, which rose 18.7 percent a year on average for the 10 years through November.

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New York Times Service

## BRIEFCASE

## If a Slowdown Looms, Keep an Eye on Spin-Offs

High-Yield Analytics Inc., a Chicago investment boutique, has a handful of forthcoming U.S. spin-offs in its sights. With pressure on American corporate profits from an expected slowing of the U.S. economy and the financial crisis in Asia, spin-offs offer investors the possibility of returns in excess of the market, the firm said.

Spin-offs companies that are cut loose from their parents, attracted widespread attention in the United States last year, mostly because of AT&T Corp.'s high-profile and highly profitable \$23 billion spin-off of Lucent Technologies Inc., its maker of telecommunications equipment and software. Lucent's share price has since more than doubled.

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1998

## MEN'S FASHION / A SPECIAL REPORT

## Tailoring and Sportswear Merge to Make the Classic Cool

By Suzy Menkes

**P**ARIS — When Yohji Yamamoto sent out his entire fall menswear collection worn by women friends — albeit mostly androgynous types like the beanpole former model Ines de la Fressange and the skinny actress Charlotte Rampling — it marked a fashion moment.

After years of gender bending and role reversal, fashion seems to have reached a balance between the sexes that may be easier to achieve in the wardrobe than in the workplace.

Now men can wear fluffy sweaters and velvet suits as nonchalantly as women can don male tailoring. And with nothing less to prove about how outrageous men's clothes could be, the French fall shows, which run through the weekend, are about discreet luxury and a return to traditional tailoring values as seen through a prism of modern sportswear.

For new generation designers, it is now cool to be classic — providing that the eternal male wardrobe has absorbed evolutionary fashion changes in fabric and ease. The result? A revival of tailoring that incorporates the sportswear revolution and the overwhelming "casualization" of fashion. Read comfort fabrics, a super-light construction and athletic details.

Paul Smith, once a streetwear designer, continued his love affair with the aristocracy that began last season. Smith grabbed from milord's dressing room the glen checked suit, swankily cut with a single vent at the back, a terracotta tweed jacket and a pair of shrimp-pink cords, a chalk striped city suit and an embroidered velvet evening vest.

Those elements were mixed together to give an insouciant touch to the classics and to create from the traditional a modern-romantic wardrobe. Although the first, countrified part of the show, with its leafy backdrop, bird-embroidered vests and Duke of Windsor-style tailoring was the strongest, the urban velvet suits and short fitted coats were stylish.

But Smith insisted that seeing the show was only the half of it.

"You have to look inside!" he said, referring to the handmade shirts, the hand-stitched purple silk lining to a black velvet jacket and the ribbon of crimson velvet inside the waistband of Prince of Wales pants — old-style tailoring details that are now cherished.

In his own hard-man fashion, Thierry Mugler was also on the English gentleman tack, giving traditional men's suitings a witty spin by using dog-tooth check and herring-bone for sweaters; gray flannel boots completed the total look. Touchy-feely fabrics like chenille and boiled Shetland softened Mugler's military cut, and moved the line forward in a strong show.

To prove that young designers are into tailoring, the Transylvanian Udo Edling opened his show Friday of sleek modern suits with tailoring patterns drawn on the bodies of his models.

Jackets made out of the canvas toile or just a pair of gray flannel lapels. Dirk Schoenberger from Cologne gave the traditional a twist by making tailored cargo pants with open pockets and putting thick knits over jackets.

Men's fashion is now about not statements but details — hence Hermes played gracefully with Hermes signatures like butter-soft leather, and if the parade seemed whisper quiet, it was also ultra-classy.

The designer Veronique Nichanian played with Hermes signatures like butter-soft leather, and if the parade seemed whisper quiet, it was also ultra-classy.

At Lanvin, Dominique Morlotti was also into discretion, adding only colors like wine-dreg red and bruised-plum to his palette of grays, chocolate to tobacco browns and beiges — although variety came with interesting textures from felted wools and alpaca through tough leathers and padded cottons. Since modern fashion is in the mix, Lanvin caught

that in gray parks matching the suit underneath as though sport and city had melded into one look. Morlotti is strong on outerwear, especially well-proportioned short, sporty coats and the occasional sweep of long.

Just when you thought that the short topcoat, from car coat to knee length, was the height of fashion, the fall collections are coming up with a challenge.

At Issey Miyake, the designer Naoki Takizawa gave long coats his best shot, making them modernist in silicone-glazed cotton, as soft as jerseys when

the fabrics were washed in an alkaline solution, or luxurious in cashmere, with funnel necklines. They also came as beige scarf coats with fringing at neck and hem. Those neutral colors in inventive fabrics contrasted with the eye-popping batik prints that opened the show, but worked only when the pattern was reduced to faded dots on a shirt.

Joe Casely-Hayford showed a collection as if, in the British designer's words, a "hidden camera" had filmed tough guys in a public housing project. If you forgot the knickers (especially in fluffy mohair) and the low-slung pants with flopping front flaps, there were strong tailored pieces. The designer saw double, putting a short-sleeved sweater over a long version and using the double shirt as a signature. Casely-Hayford also endorsed the zippered cardigan that is becoming the alternative jacket of the new fall season.

The absence of color, with a predominance of gray, is putting designers with a strong palette out on a limb. Christophe Lemaire handled color well for his close-to-the-body, French schoolboy silhouette, playing with boucleau and purple for a felt coat and its scarf.

When you think of the subtlety of Claude Montana's past palette with its tender gradations of tone, his colors seemed out of sync not just with current fashion, but also with his own aesthetic. He showed orange mohair coats, a brown sweater flicked with a pattern of glowing flames and striped or window-pane checked suits in red and orange, although there were a few marginally quieter pieces in beige dog-tooth checks with the new softer shoulder and rounded neckline. And the designer was defiant about his get-out-your-sunglasses colors.

"It's time to wake up with color," Montana said.

Ignore the women models, and Yamamoto's show was still appealing. Taking a generous handle, he created long coats and his signature square-cut suits, but gave them a spine of overstitching at the back to emphasize the straight cut. Tailors' basting stitches were used as random decoration.

Modern romantic was also the story in this collection, spelled out in the tactful fabrics, including the fury collars on coats, fleecy jersey jackets, clotted cream or khaki cottons and damask-woven pattern.

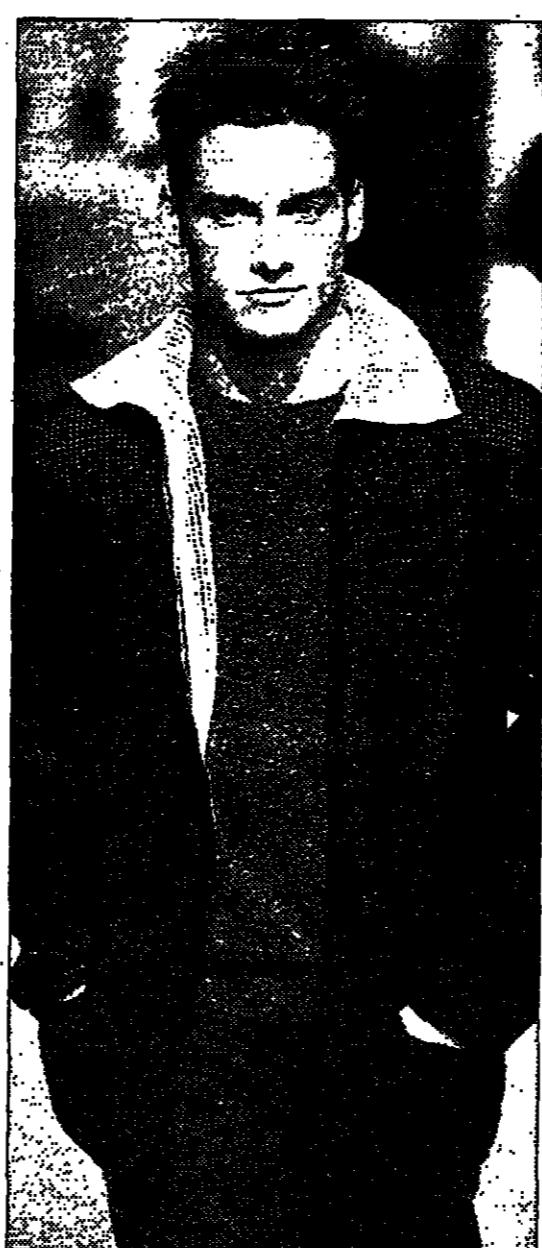
But why those women, of different ages and types, to show the clothes?

"I started by thinking about who is my customer," the designer said back-stage. "My customers are not business men and I know that many women wear my men's clothes — and it seemed very normal."

**SUZY MENKES** is fashion editor of the International Herald Tribune.



From left, Yohji Yamamoto's big coat and loose tailoring worn by the former model Ines de la Fressange; Hermès's sporty zippered cashmere cardigan with contrast color and flecked sweater with tailored pants, and Paul Smith's mismatched check suit and bird-embroidered velvet vest.



Moët & Chandon

## That Indefinable Air Of French Male Chic

By Rebecca Voight

**P**ARIS — Haughty and notoriously self-critical, Frenchmen have a love-hate relationship with clothes and they are proud of it. While the English celebrate eccentricity, Italians radiate proud sensuality, and Americans are a clean-cut team, the French manage to be both in and beyond fashion.

Jean Paul Gaultier may put men in skirts, but he's never without his classic blue and white stripe. French sailor's sweater. And the chain-smoking characters dressed down in minimalist dark suits and skinny gray sweaters at a Paris gallery opening today wouldn't look out of place in one of Francois Truffaut's New Wave classics.

"I come from a country where nobody dresses up, not even to go to the theater, so France impresses me," said Matthias Vriens, editor in chief of Dutch, the European fashion magazine that is edited in Paris. "A young French boy in a bourgeois navy blue coat and boring flannel trousers can be more intriguing than someone in a pair of screaming orange pants by W&L."

Fred Sanchez and Fred Bladon, the "sound illustrators" for fashion shows from Jil Sander to Calvin Klein, describe themselves as "hyperclassic." Their choice is a Gallic razor's edge edit: suits by Helmut Lang and Prada, Brooks Brothers shirts, and "Chelsea" boots from the French shoemaker Weston.

This is topped with odd finds like a sky-blue scarf that Bladon recently unearthed in Old England, Paris's out-of-tune purveyor of style from across the Channel.

The Paris press attaché Guillaume Chaillet wears clothes to suit his urban life on a bicycle, but he doesn't look like New York City messenger. In khaki shorts from APC and a Saint James urleneck, he admits he likes being

chic. "I might wear a suit, but without a tie," he adds. "The French love fashion, but they're snobby enough to know how to protect themselves from it."

Séraphin Dupellier, a journalist and director on "Paris Modes," a weekly fashion television program, thinks French designers have lost touch with Frenchmen. "The Italians and the Americans have a strong sense of marketing. They always design with a customer in mind. In France, we have such a high opinion of creativity, the idea of who will wear the clothes often gets lost."

Reviving France's men's fashion identity is a focus for Hedi Slimane, designer at Yves Saint Laurent. "It's in the shoulders," says Slimane of the classic tailoring in the new collection inspired by the period around 1969 when Saint Laurent designed the menswear himself. "I'm trying to get back to a Saint-Germain-des-Prés attitude like a YSL duffle coat over a sweater."

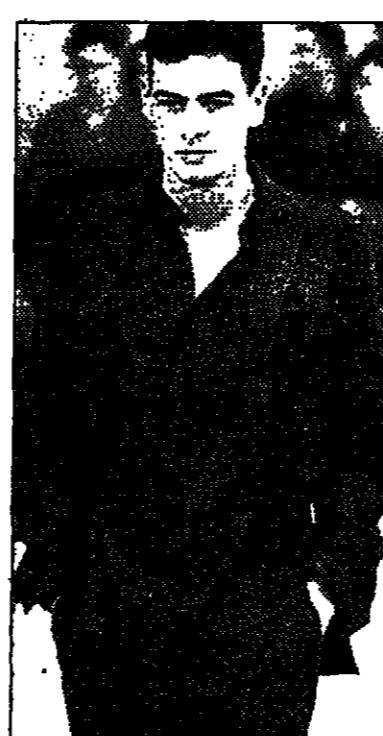
The designer Christophe Lemaire is into the same period. He likes the rumpled chic of crooners like Serge Gainsbourg or Jacques Dutronc. "France hasn't had a clear style for the past 20 years," he laments. "Men on the street here look like traveling salesmen."

When he wants something new, Edouard Lehmann, the French photo editor who works with Mario Testino, visits the Parisian tailor Francesco Rovito, whose style hasn't budged since he made suits for Salvador Dalí.

The interior designer Jean-Louis Riccardi, currently renovating Paris's Crillon, says the French can be the worst-dressed men in the world. "Change is not a way of life for the French," it's their weakness, but also their strength," he says. "It's a tradition he feels at home with. 'I like strict clothes,'" he adds. "My ideal is the priesthood."

The architect Christian Biecher agrees. "French style at its best is the art of turning your back on fashion."

**REBECCA VOIGHT** is a freelance journalist based in Paris.



Christophe Lemaire's take on French chic with a pin-striped suit.

wardrobe is a limited mix of sneakers, biker jackets and pieces from old films. "I used to get dressed at the flea market for 20 francs," says the comic actor Elie Semoun. "I've been a mix of zazou, ska and punk, but I've never been out of a suit."

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## Dusting Off the British Classics

Venerable Brands Go Modern With Help From U.S.

By Roger Tredre

**L**ONDON — They never show on the runways. The fashion revolution of the 1980s passed them by. Their sales, led by classic English men's tailoring and coats, have ticked over pleasantly but unspectacularly.

If it has been a long slumber, British classic clothing companies are waking up at last.

The most venerable brands in Britain — Burberry, Austin Reed, Alfred Dunhill, Daks-Simpson, Aquascutum — want a bigger slice of the fashion action.

Austin Reed leads the charge this month with the relaunch of its 98-year-old brand. The top-to-bottom spring cleaning marks a head-on bid for a new, younger customer. The strongest sign of their intent? The tennis star Greg Rusedski has been signed up for an advertising campaign.

Next off the block will be Burberry, which last fall head-hunted the president of Saks Fifth Avenue, Rose Marie Bravo, to lead what is being billed as the most radical overhaul in the company's history.

Bravo, who describes Burberry as a "world-class luxury brand," is keeping her plans under wraps. But the launch of an upfront new advertising campaign next month, photographed by Mario Testino and featuring the model Stella Tennant, gives a strong hint that Burberry, with sales of £270 million (\$432 million) last year, is heading for fashion with a capital F.

History has proved both burden and blessing to Britain's classic companies. "British companies have been clogged up by their past," said Jeremy Franks, chief executive of Daks-Simpson. "The successes of the past should be a platform for the future."

The new lines mix soft construction and high-tech fabrics — a world away

from the old stiff-upper-lip Austin Reed tailoring.

The changes at Austin Reed amount to a rebirth, argued Roger Jennings, retail managing director. "We've moved away from traditional British to modern British. We're much more in line with designer brands in styling and image, but not at the same price points."

Austin Reed has also set up a fully integrated design studio, now initiating styles and fabrics rather than operating through a team of buyers.

**T**HE American Chris Pendleton, director of merchandising and retail at Aquascutum, says the American approach to merchandising can benefit by "dusting off the British way of doing business."

Pendleton's approach at Aquascutum is less radical than the plans for Austin Reed and Burberry. Aquascutum is testing the waters with a more fashion-forward product in the mid-1990s with disappointing results. The chief executive, James Pow, subsequently left to be replaced by Jiro Tanaka (Aquascutum was bought in 1990 by Renown, a leading Japanese manufacturer.)

The revised Aquascutum approach is described by Pendleton as "a redefinition and update of classic clothing with the focus on coats and tailoring." Aquascutum also has plans for a high-spend advertising campaign from March to put the brand back on the fashion map.

No one is pretending these historic brands can "do a Gucci" overnight. But, at long last, as the millennium comes to a close, a start has been made.

And who knows? Maybe someday we'll see them on the runway.

**ROGER TREDRE** is features writer for The Observer.

## At Florence Fair, Soft Natural Fabrics Define 'Minimalist Sobriety'

By Lucie Muir

**F**LORENCE — Just days before the swanky menswear collections in Milan, Italy's apparel and accessories designers unveiled their take on fall/winter 1998-99 at the prestigious menswear show Pitti Uomo in Florence. While Milan captured the short-term trends from top-notch designers, Pitti Uomo gave a long-term vision of menswear from 632 clothing and textile manufacturers in the medium to high-end market niche.

Over the four-day show, the focus was on

luxurious fabrics, including featherlight wools, baby alpaca, slippery velvets and, above all, cashmere, which made the news on everything right down to underwear.

To get the right mood for the season's soft tailored suits think Cary Grant, Humphrey Bogart and the most dapper of English country gentlemen circa 1940. While for resilient outerwear looks in "cooked" soft-boiled wool, moleskin, thick-cut corduroy, big knits and warm tweeds, think Brad Pitt in "Seven Days in Tibet."

The great outdoors proved inspirational at Tuscan Square which launched its first men's apparel line. The designer Pine Luongo used "Casentino" wool, a boiled wool worn by Tuscan

farmers at the turn of the century, and updated it on jackets, shirts, vests and even shoes.

"The idea is to bring a little rusticity to refined styles and show that traditional fabrics can be extremely modern with the right cut and color," said Luongo. As well as the nubby wools, Tuscan

Square combined corduroy sports jackets with moleskin pants and loden vests. All were matched by earthy shades of olive green, clay, smoke and berry.

Staying outdoors, Canali, Hollywood's favorite suit maker, contrasted wool and cotton on sleeves and hoods in its new outerwear collection. As to the importance of next season's natural fabrics, the company's public relations

official, Elizabeth Canali, said, "The days of experimenting with technical fabrics are over. Now there's a minimalist sobriety in the shape and cut of men's clothing and, even though the fabrics may seem simple, they are extremely precious."

Marzotto, the textile and apparel giant, unveiled soft, loose-fitting corduroy jackets with a Prince of Wales check to its Prince line, while casual tweed suits and Shetland wool knits came center-stage in its trendy DVO line.

Another leading textile and clothing name, Ermengildo Zegna, showed lightweight anoraks made with its trade mark fabric Microtex. The peach-skin hand of this natural cloth makes act-

ive wear waterproof. Zegna was among those to deconstruct and take linings out from jackets to give minimal weights and shapes. In a work of tailored engineering, it presented the edge-cut cabin, in a weightless wool flannel, which took shape on the body.

Understated and pricey said it all in Valentino's floor-length alpaca overcoats, Maria Sartini's cashmere leisure suits, and Mondo di Marco's cashmere jeans. Even ties are set to be luxurious in the finest-gauge cashmere, flannel and wool.

**LUCIE MUIR** is a fashion writer based in Milan.

## SPORTS

**Lure of TV's Big Money Could Quickly Change the Face of European Soccer***International Herald Tribune*

**F**OR YEARS I have been arguing with my European colleagues that Manchester United will someday quit playing in Britain, that Barcelona will break its ties with the Spanish League and that other top clubs will follow suit to form

soccer's version of the National Football League.

My side of the argument grew stronger after the NFL recently signed a series of television contracts worth at least \$17.6 billion over the next eight years.

The day is fast approaching when the major soccer

clubs in Europe — Inter Milan, Juventus, Bayern Munich — will be receiving similar offers. Do you think they're going to turn up their noses at such money?

"It will be interesting to see whether their governments will permit it," Dick Ebersol, president of NBC

sports, said from San Diego a few days before his network's telecast of the Super Bowl on Sunday.

Ebersol pointed out that European soccer is intertwined with the mightiest political forces on the Continent. American football knows few such constraints. The NFL is a commercial entertainment whose prime directive is to earn the highest possible television ratings.

But, as hard as it is to believe, European soccer is headed in that direction. It has nothing to do with copying America; it has everything to do with exploiting, and being exploited by television.

According to European sports-marketing insiders, unofficial discussions of a Super League have already begun on the basis that such a league would gross \$2 billion annually — roughly equal to

the NFL's television income.

At first the Super League clubs would maintain allegiances with their domestic leagues — Manchester United, for example, would continue to play in the English Premiership. Very quickly that would change as the Super League clubs began competing against each other, using their windfall to buy star players at every position.

If Manchester United is dominating English soccer now, imagine how things will be after a few years of heavy-duty splurging.

"At what point is it no longer good entertainment for Manchester United to stay in the Premier League?" asked Peter Strogi, managing director of Prisma, one of the leading international sports-and-television mar-

keting firms, "because remember, entertainment is what drives TV?"

Strogi is one of many in his field who believes the big clubs will have to make a decision sooner rather than later. All trends seem to be leading Europe toward the conclusion formed by America long ago — for better or for worse — that sports at the most lucrative level are moving-pictures entertainment, a suspenseful narrative played out by star performers, a re-creation of Hollywood.

The European Court of Justice already has dynamited tradition with a ruling that has guaranteed free agency and free movement across European borders for athletes. This has invited the top clubs to begin assembling talent from every country in

the European Union.

The next step was the revolutionary decision by the Italian and Dutch governments to permit individual clubs to negotiate their own television rights.

The German government appears to be headed down the same path, and the British might soon follow. What this means, starting with the 1999-2000 season in Italy, is that Juventus, Inter Milan, AC Milan and the othergiants can increase their wealth at the expense of the lesser clubs. It is one of those irreversible decisions — taken naively by the governments, perhaps — that might result in the breakup of their own domestic soccer leagues.

Once the television market succeeds in dividing the haves from the have-nots, the next logical step for the haves would be to move into their own exclusive community.

Many of these clubs are publicly traded companies. A sense of tradition means little to shareholders.

This year, as always, the Champions League final between the top two soccer clubs in Europe is scheduled for a Wednesday night in May. Imagine how much more valuable that game would be on a prime evening after a weekend, with plenty of advance notice and a live audience around the world?

That's how the Champions League is going to be presented within 10 years, I'm betting. It will be preceded by several rounds of high-intensity playoffs, followed by one or two weeks of outrageous media hype. That's right — they might as well rename it the European Super Bowl.

*In America/Ian Thomsen*

**Super Bowl XXXII on Television**

The Super Bowl XXXII on Jan. 25 begins at 7:30 p.m. EST, according to the NFL, 2 hours earlier than in the following countries:

Algeria: STAR-TV

Angola: CNTV

Angola: ESPN

DAVE BARRY

## Brassieres and Deadly Yogurt

**M**iami — Recently, one of our local TV news shows in Miami did a special investigative report on — I swear — brassiere sizes. The station promoted this report relentlessly for several days. Every few minutes you'd hear an announcer's voice saying, with an urgency appropriate for imminent nuclear attack: "ARE YOU WEARING THE WRONG BRA SIZE?"

You'd have thought that women were dropping dead in the street by the thousands as a result of improperly sized brassieres. I was becoming genuinely concerned about this problem, despite the fact that, except on very special occasions involving schnapps, I don't even "wear" a brassiere.

Unfortunately, although I saw dozens of promotions for this special investigative report, I never saw the report itself. I assumed that the message would be: "Wear the right size brassiere!" My editor, Tom Shroder, who has a keen interest in the issues, did watch the report, and he told me that it explored the troubling question of "women wearing brassieres that were tragically about 10 sizes too small for their breasts, which left said breasts with no other choice but to spill, tragically, out of the brassiere cups into the camera lens."

But my point here is not directly related to brassieres, although it is a lot of fun to use the word "brassiere" in a newspaper column, brassiere brassiere brassiere.

My point is, pound for pound, the most dramatic and entertaining programming on television is your local TV news shows. Their only serious competition is the cable channel that, 24 hours a day, features the TV Evangelists With Hairyards The Size Of Adult Yaks.

If you don't receive the Big-Haired Evangelists channel, you need to march right down to your cable company and throw rocks through the windows until you get it, because these people are WAY more entertaining than any space alien you will ever see on "Star Trek."

My favorite is a woman with a gigantic mound of hair colored exactly the same designer shade as Bazooka brand bubble gum. Perhaps this fact explains why, almost every time I tune in, this woman is weeping. Her tear ducts must be as big as volleyballs. Using the standard evangelical measurement of Gallons of Weepage Per Broadcast (GWPB), this woman could very well be threatening the seemingly unbreakable records set back in the glorious '80s by Hall-of-Famer Tammy Faye Bakker. I would pay serious money to see a Weep-Off between these two great performers.

But as entertaining as these shows

are, their message tends to be somewhat repetitive ("God loves you! So send us money!"). Whereas on your local TV news shows, they're always surprising you with dramatic new issues that you should be nervous about. Often these involve ordinary consumer items that, when subjected to the scrutiny of a TV news investigative report, mutate into deadly hazards.

Ah, back — I think it was different from the one that warned us about improperly sized brassieres brassieres brassieres — did a dramatic, heavily promoted investigative report on: frozen yogurt. This report, which seemed at least as long as "Alien Resurrection," but scarier, investigated the possibility of deadly bacteria in our frozen-yogurt supply. If I understand the report correctly, there have never been any cases of any actual person actually being harmed by local frozen yogurt, but that seemed like a minor technicality. The point was: IT COULD HAPPEN! THE YOGURT OF DEATH!

The way I have dealt with this menace is by taking the medical precaution of never eating frozen yogurt without first putting large quantities of chocolate fudge on it, on the scientific theory that the bacteria will eat the fudge and become too fat to do anything inside my body except sit around and belch. But I would not know to do this if it were not for local TV news.

I also would not know how I am supposed to feel about many stories if not for the fact that the TV news personalities make sad faces for sad stories and happy faces for happy stories. Sometimes, to make sure I understand the point, they come right out and tell me, at the end of each story, whether it was "tragic" or "nice."

**FIRST PERSONALITY:** What a tragic story, Bob.

**SECOND PERSONALITY:** Uh . . . no, it wasn't.

**FIRST PERSONALITY:** It wasn't?

**SECOND PERSONALITY:** No. That was the story about dogs playing mah-jongg.

**FIRST PERSONALITY:** Whoops! I had it confused with the story about the plane crashing into the orphanage! Ha ha!

**SECOND PERSONALITY:** Ha ha! Coming up, we'll have part four of our special investigative report: "Formica: Silent Killer In Your Kitchen."

Well, I see we've run out of time, so that's all for this week's column. Remember to be nervous about everything. And now for these words: brassiere brassiere brassiere.

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## Diva Joan Sutherland Takes Wing Again

By Anthony Tommasini  
New York Times Service

**N**EW YORK — During a career of more than 40 years, Dame Joan Sutherland traveled constantly. It took a toll on her peace of mind, on her family life, even on her troublesome knees, weakened by the countless times that, as Mad Lucia, sleepwalking Amina and the other distraught heroines, she had to collapse onstage and die.

So it takes a lot to lure the legendary soprano, now 71, from retirement in southern Switzerland. But a request from an old friend she could not refuse and professional obligations of an entirely new type brought Dame Joan to Manhattan. Last week, to help Marilyn Horne, her sidekick from the bel canto opera circuit, Dame Joan participated in the events for the fifth anniversary of the Marilyn Horne Foundation, which provides recital opportunities for young singers. Dame Joan joined Horne for a panel discussion, offered a master class at the Juilliard Theatre and made a guest appearance at the annual gala benefit at Carnegie Hall.

Sutherland has also been promoting her book, "The Autobiography of Joan Sutherland: A Prima Donna's Progress," which has just been released in the United States by Regnery Publishers. (It is already available in Europe and Australia.)

During an interview last week at the East Side club where she prefers to stay when in New York, Dame Joan insisted that she wrote the book herself, which, given its undomestic prose, is easy to believe. "I'm not a writer, let's face it," she said. "Perhaps the book is a bit schoolgirlish, like an English class composition." The story was largely assembled from what Dame Joan calls her "agendas," logs and scrapbooks of her career that go back to 1946, her first year as a contract singer with Royal Opera House at Covent Garden in London. "My only idea was to give young singers insight into what a career involves besides singing," she said.

That, for sure, she accomplished. The book is a virtual catalogue of lessons taken, auditions attempted, roles learned, performances sung, ovations received and trips endured. Indeed, as much space is devoted to costume fittings as to her courtship with her husband, the conductor Richard Bonynge.

Yet the step-by-step account is, in a way, the point. "I wanted singers to understand how gradual my development was," she said. "Musical training today is much better than it was in my time. But the technical side — breath support, projection, the ability to sustain a legato line — this is lacking."

As an example of her own caution, Dame Joan pointed to the celebrated production of Bellini's "Norma" at Covent Garden in 1952.

Maria Callas sang the title role; she sang a minor one, Clotilde, Norma's attendant. "I lust to sing Norma after being in those performances with Callas," she said. "But I knew that I could not sing it the way she did. It was 10 years before I sang the role. During that time, I studied it, sang bits of it, and worked with Richard. But I had to evolve my own way to sing it, and I would have wrecked my voice to ribbons had I tried to sing it like her."

Some critics in Europe have faulted the book for its



Chase Higgins Jr./The New York Times

Dame Joan tests soprano Sonia Nicolai's breath control.

heavy inclusion of reviews. But Dame Joan thought this essential. "I can't say how I sang," she said. "I needed someone who was there, who was literate."

Some starting stories do leap from her account: her bouts with chronic sinus trouble that finally necessitated delicate surgery, smack in the middle of her breakthrough performances in the 1959 Franco Zeffirelli production of "Lucia di Lammermoor" at Covent Garden, where the opera had not been presented in 34 years, the death of her mother when Dame Joan was about to make her much-anticipated Metropolitan Opera debut as Lucia, a date she kept despite the loss.

She reveals a self-deprecating humor, as when describing her square-framed, imposing physique, which, given the relative proportions of her modest bust and large rib cage, made her feel, in many costumes, "like a large column walking about the stage."

And there are some amusing accounts of diva spats. In early 1963, she was scheduled to do a joint radio interview with Birgit Nilsson for a Metropolitan Opera broadcast. Delayed in Washington by bad weather, she arrived late and exhausted, so she pulled out of a dinner party at Nilsson's apartment. Birgit was quite annoyed, since she had gone to a lot of trouble making Swedish meatballs and other goodies," Dame Joan writes. "Indeed, she didn't speak to me for some years."

Two months later, when Nilsson was asked in an interview whether Dame Joan's hair, which she wore at the time in a bouffant puff, was real, Nilsson replied, "I don't know, I haven't pulled it yet."

The tone of the book, many critics have said, is emotionally cool. What did she feel about the painful losses in her life: the sudden death of her father on her sixth birthday, or the suicide of her troubled

sister? "These things were sent to try us," she said. "One had to cope, life goes on, we have to change, and there we are." What also comes through, though it is not news, is the central role played in her career by Bonynge. The marriage of the prima donna, who loves needlepoint and gardening, and the conductor, with his elegant manners and flair for fashion, may seem curious. But this is clearly a devoted partnership.

Bonynge was not just her primary respiratory coach, who shifted her direction from the heavier roles of Verdi and Wagner, which she had been groomed for, to the bel canto coloratura roles that had languished until Callas championed them; he was also, in effect, her manager, caretaker, travel guide. He even tended to the decorating of their houses. "Rich was responsible for my longevity as a singer," she said in the interview. "He taught me so much, made me work, helped me interpret; and he wouldn't stand any nonsense."

In recent years, she and Bonynge have presented master classes together, which she much prefers to working alone. The day before the class at Juilliard, she was almost dreading it. "I don't really see the point of these so-called master classes," she said. "You talk to students for half an hour; hear them sing an aria, make some comments, and then go away and leave them. You don't like to interfere in so short a time with what their teachers might be doing. But I'm a technique nut, and if I hear something that could be improved, it's hard for me to let it go."

Despite her reservations, when the time came Dame Joan did "interfere," and often with frankness. The first student, Sonia Nicolai, a 27-year-old soprano, sang "Regnava nel silenzio," Lucia's Act I aria. Though the voice was bright and clear, Dame Joan said that the sound Nicolai was making was not all it could be. "Lots of breath is escaping from your sound," she said, as she placed her hand firmly on Nicolai's upper abdomen to check out how the young soprano uses her diaphragm for support.

She was also not happy with the way Nicolai delivered the text. "You enunciate each syllable, but it chops up the line," Dame Joan said. "Now, I was always criticized for my poor diction. And in certain cases I suppose I distorted the vowel sounds in order to make a smooth legato." But, she added, "I did make a warm sound," a statement that prompted the audience to applaud.

The next night, at the Marilyn Horne gala, Dame Joan's arrival onstage was greeted by a five-minute standing ovation. No doubt, what made the audience remember how much they missed her was a videotape of Dame Joan and Horne in a concert performance of the duet from "Norma," which was shown before Dame Joan appeared. Here was a vivid demonstration of the principles she had espoused in the master class: rich, full sound, even for the ornaments and coloratura passage work; long-lined legato phrasing; nuance and subtlety. And vocal charisma, which is something that cannot be taught.

The "sheer exultation of singing," Dame Joan said in the interview, is what kept her going. "The ability to deliver that sound and beautiful music to an audience was very exciting. I miss it." But, she added, "I don't miss the travel."

## PEOPLE

**O**VERRULING a previous verdict, an appeals court in Milan cleared top Italian fashion designers from corruption charges related to a 1990 case, news reports said Friday. Among those who had their convictions overturned were Gianfranco Ferré, Kriizia and Santo Versace, the late Gianni Versace's brother. The designers, along with some business executives, had been found guilty of bribing government tax inspectors in exchange for favorable audits and had received suspended sentences of up to two years in prison. The court said that it had found no wrongdoing and that the designers had been victims of extortion by the inspectors.

The defense lawyer Kenneth Kahn has settled his lawsuit against Oliver Stone. Kahn alleged that the producer consulted him for the movie "The People vs. Larry Flynt" but never gave him credit or used him in the film as promised. Co-defendants in Kahn's suit included the director of the film, Miles Forman. Kahn sought unspecified damages in his lawsuit, accusing Stone of breach of contract and fraud and deceit. The terms of the settlement were not disclosed.

The Brazilian ballerina Marcia Haydee is ending her 18-month absence from the stage with two performances at the Deutsche Oper in Berlin. Haydee quit as head of the Stuttgart ballet in 1996 and retreated from the stage for a while. Now she plans to dance in a version of "La Sylphide," created by Peter Schaufuss for the Deutsche Oper in 1982. Haydee will dance in two performances, on April 18 and 25.

The new home of the Piccolo Teatro in Milan will be named after its co-founder Giorgio Strehler, who died last



François Mord/The Associated Press

**READY FOR TAKEOFF** — The French acrobatic duo, Samantha and Igor Iouliov, performing at the 21st World Circus Festival being held in Paris.

month, the city's mayor said. Gabriele Albertini said the building, which will be officially inaugurated on Monday, would be called the Piccolo Teatro di Giorgio Strehler. The opening ceremony will feature the director's last work, Mozart's "Così fan Tutte," which was completed by colleagues after his death on Dec. 25 at age 76.

Prince Charles cracked a rib falling from his horse last week, but he's still planning treks in the Himalayan foothills next month, his office said. Charles fell on a steep bank while fox hunting on the north Wales border.

Canceled checks and a Christmas card from Ringo Starr are among the earthly possessions of the LSD guru Timothy Leary that will be auctioned by Christie's on Feb. 4 in New York City. The auction

house estimated Leary's tattered driver's license would go for \$600 to \$800, his 1982 passport for \$1,000 to \$1,500 and a photo of him with John Lennon and Yoko Ono for \$1,000 to \$1,500. "If Tim could see how much even little things he had were worth now, he'd have a good laugh," said Vicki Marshall, who was Leary's administrative assistant. The ashes of Leary, who died of prostate cancer in 1996, were rocketed into space last April.

**PAR CONROY** may be the new man in Scarlett's life. The best-selling author is negotiating with the Margaret Mitchell estate to write another sequel to "Gone With the Wind," according to published reports, which said the deal might be worth \$10 million. Conroy, who wrote "The Prince of Tides" and "The Great Santini," would be the first big-name novelist to write a "Gone With the Wind" sequel. A 1991 sequel, "Scarlett," sold millions of copies.

Michael Crichton admitted in court that he once turned in under his name an English paper written by the novel George Orwell. He did it as a Harvard University student in an effort to prove that a professor was grading him unfairly, the best-selling author testified. A lawsuit alleging he stole the screenplay for "Twister," the screenwriter Stephen Kessler brought the 1996 copyright-infringement lawsuit alleging to Crichton and others plagiarized his screenplay, "Catch the Wind," about tornado chasers. On cross-examination, Crichton testified that he put his name on an Orwell paper after telling another family member what he was doing. "I did not pass it off as my own," said Crichton. He said Orwell got better grades than he did. "I was getting C-pluses. George Orwell got a B-minus," Crichton said.

## Sonny Bono's Widow to Run for His House Seat

By Mark Z. Barabak  
Los Angeles Times Service

**L**OS ANGELES — Mary Bono, the widow of Representative Sonny Bono, has officially declared her husband in Congress, tip-toeing into the contest via a news release.

"Prior to reaching this decision, I had many in-depth discussions with my family and close friends," she said in a seven-paragraph statement. "We all agreed that Sonny would have encouraged me to continue his work. I want to do that."

Bono, making her first try at public

office, is expected to have the Republican field to herself. Her studious low-key entry into the race was unusual.

Typically, a candidate will hold a news conference in hopes of launching a campaign with a burst of publicity.

But the 36-year-old widow of the celebrity congressman, who died in a Jan. 5 skiing accident that drew international attention, hardly needs to boost her name recognition.

At the same time, by avoiding questions, the political newcomer may have sought to avert the sort of stumbles that marked her late husband's first run for federal office, an unsuccessful 1992

U.S. Senate bid in which he revealed a poor grasp of issues.

A family friend who handled

Mark Bono's announcement Thursday said that she wished to duck questions.

"Those things will happen Feb. 2," said Mark Matthews, referring to a series of appearances that Bono intends to make that day across the district, which stretches from the outskirts of Riverside, California, to the Arizona border. "She qualified and prepared to do this."

On the Democratic side, actor Robert Redford — Pa Walton of the old TV series "The Waltons" — has sent strong signals that he intends to challenge Bono.

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## THE MONEY REPORT

## Look Down for Stocks to Grow Up

'Unrealized Value' Is the Key to Bottom-Up Investment Strategy

By Digby Larmer

FOR THE uninitiated, the idea of an investment portfolio going bottom up may sound like the aftermath of a nasty stock market crash. In fact, the bottom-up approach is the staple of professional investors worldwide.

It involves picking stocks for reasons specific to particular companies, regardless of the prospects of their sector or market. In other words, no matter how markets are performing, some stocks have more value than others.

Richard Worts, a spokesman for the Bermuda-based GAM Global Asset Management, said that several of GAM's fund managers used the bottom-up philosophy.

"For us, the whole process begins, ironically, by taking a macroeconomic view," he said. "From that, we select countries or sectors we think are worth looking at. After that, rather than taking a broad sweep of stocks, we get a locally based manager to make a bottom-up selection."

The advantage this has over some other philosophies is that it focuses the portfolio on a group of stocks with strong growth potential.

The disadvantage, especially for private investors, is the amount of time and effort needed to research individual stocks, he added. This can be done in several different ways and some methods are less arduous than others.

GAM managers meet corporate executives and tour production units of the companies in which they invest.

"We avoid getting bogged down in most of the statistical material that's available," Mr. Worts said. "What we're looking for are stocks with unrealized value. Traditional value measures tend not to pick that up."

By visiting individual companies, investors get a feel for the quality of management and get a first-hand view of the products and services on offer.

"It's amazing the sort of ideas you

pick up from just touring a factory," he said. "For example, you may see a pile of rusting tubing or some raw material that suggests production is slowing."

What Mr. Worts likes most about bottom-up investing is that it can be applied to any market or sector, regardless of the prevailing investment trend.

"We've been underweight in the Far East for about the last year, but we haven't abandoned it altogether," he said. "Roughly 6 percent of our assets are now invested there, primarily in Japan. By looking for stock that are basically sound, we can insulate ourselves from the gyrations of the market."

The largest portion of GAM funds are invested in Europe. Two of Mr. Worts' current favorites are Telecom Italia SpA, Italy's privatized telecommunications business, and the Swiss pharmaceutical company, Novartis AG, created by the merger of Sandoz and Ciba-Geigy in 1996.

"The Italian market, especially, seems to be throwing up a number of good value stocks at the moment," he said.

For investors with neither the time nor the expertise to build close relationships with corporate executives, there are alternative bottom-up methods.

Jayesh Manek, chief executive officer of Manek Investment in Britain, uses standard value measure to make bottom-up selections. His aim is to invest in businesses that will outperform their market average over the medium and long term.

"You can't get it right all the time, but if 60 percent of our stocks perform well we can still do better than average," he said. He added that bottom-up portfolios tend to concentrate on a smaller number of stocks than those taking a broad view of a market or sector.

"On a bottom-up basis, your 100th stock is rarely as strong as your first, so we stick to around 30 or 40," he said.

The figures he uses to make selections are readily available. The initial selection is made on the basis of earnings growth. "We look for a history of between

three to five years of above earnings growth," Mr. Manek said. "On top of that, we want to see projections for the same level of performance over the next couple of years."

This is compared to the firm's average price-to-earnings ratio over the same period. The lower the P/E ratio, the better growth potential it is thought to have.

"None of these factors is much use in isolation and we like to see a P/E figure that is lower than average earnings," he said. But he noted that not all his selection criteria were qualitative.

"Very often there are key factors that set a business apart from its competitors," Mr. Manek said. "We're especially interested if it has strong cash flow, that sort of thing. It helps limit any possible downside."

**H**IS CURRENT favorite stocks are both British. The first, JJB Sports PLC, has growth expectations of up to 40 percent over the next two years, he said.

"Its cash flow is better than its profits and its return on capital is very good," he said. "On top of that, its franchising ability is very strong."

Since picking up on the stock two years ago, its value has gone from £1.60 (\$2.70) to £6.55.

"It's hard to say how high it might go from here, but we certainly expect it to do better than the market average," Mr. Manek said.

His second choice is Anite Group PLC, which two years ago was a debt-ridden mess. Since then, it has sold off a number of unprofitable businesses and focused on its money-making software activity.

"Thanks to its restructuring," he said, "Anite has climbed from a net debit position to having a cash surplus of more than £40 million." Its stock has been rising, albeit irregularly, since November, when it touched a low of 39.5 pence. On Friday, it traded at 57 pence.

Although Mr. Manek expects to hold each stock for at least five years, he said it was important to monitor them for adverse changes.

## BRIEFCASE

## If a Slowdown Looms, Keep an Eye on Spin-Offs

High-Yield Analytics Inc., a Chicago investment boutique, has a handful of forthcoming U.S. spin-offs in its sights. With pressure on American corporate profits from an expected slowing of the U.S. economy and the financial crisis in Asia, spin-offs offer investors the potential of returns in excess of the market, the firm said.

Spin-offs, companies that are cut loose from their parents, attracted widespread attention in the United States last year, mostly because of AT&T Corp.'s high-profile and highly profitable \$23 billion spin-off of Lucent Technologies Inc., its maker of communications equipment and software. Lucent's share price has since more than doubled.

But spin-offs are not guaranteed to be profitable.

"Each one requires careful analysis," warned Joseph Cornell, an analyst with High-Yield Analytics.

For example, investors have shunned Tricon Global Restaurants, PepsiCo Inc.'s spin-off of its Taco Bell, Kentucky Fried Chicken and Pizza Hut restaurants, because it is weighed down by \$3 billion in debt.

"That scared me," said Mr. Cornell. Tricon shares have slumped to about \$25, from their original \$32.

Prospects look better, in his view, for the approaching spin-offs from Whiteman Corp., the largest Pepsi bottler in North America. It will officially sever one of its units, Midas Inc., the muffler and auto-repair concern, and Hussman International Inc., a maker of refrigerated display cases, on Jan. 30. Mr. Cornell noted that Midas is struggling, but is a "great brand" that could do better on its own, and Hussman is a leader in its industry.

But he also likes Whiteman, the parent, because it will pay off half its debt with cash from the spin-offs, and, he suggested, may merge with PepsiCo's bottling business to form a separate company.

He also likes Ford Motor Co. and its soon-to-be-independent consumer finance group, Associates First Capital Corp.

"Ford could buy right now to get the Associates dividend," he said.

Then, he predicted, if the automaker also sells off its Hertz car-rental unit, "you're getting Ford on the cheap, and they've got a ton of cash on their balance sheet and a fat dividend."

Another company on Mr. Cornell's "watch list" is Ameritech Corp., the regional Bell telephone company. If regulators decide that it must let competitors use its \$30 billion network at the same prices Ameritech pays, it may well spin it off and become strictly a marketing company, he said.

The financial bookmaker has an estimated 10,000 risk-loving customers and betting volumes rose 30 percent last year, Mr. Spencer said.

Mr. Spencer said one of the big attractions of City Index for British gamblers was that there is no tax on profits, since they are treated as bets.

And there is no limit to the potential gain or loss that can be made, since the bookmaker trades solely through "spread betting" — or betting on a rise or fall in an index or individual security against the bookies' central price.

If a gambler stakes £10 (\$16.48) on the Financial Times-Stock Exchange index rising above a certain level and he calls the market correctly, the winnings multiply by every point the index rises. Should the index fall, losses mount in the same way.

In "fixed-odds betting," by comparison, a bettor can only ever lose the money that is staked.

"It is quite feasible for customers to win, or indeed lose, hundreds of thousands of pounds with one position, particularly in the financial markets where we've seen massive volatility recently," Mr. Spencer said.

Last month, a City Index client landed a windfall of more than £3 million after staking just £5 on the performance of the world's stock markets.

Mr. Spencer estimates that his firm has paid out about £100 million in total winnings this year.

The bulk of City Index's clients work in London's financial sector. But foreign investors also can play.

The firm offers more than 100 markets to bet on. About 70 percent of business is financial and 30 percent related to sports. City Index's main rival is the smaller, privately owned IG index.

Mr. Hubert is his Hubert Financial Digest, a monthly newsletter run out of Alexandria, Virginia, that evaluates the advice given by investment newsletter writers. He puts together hypothetical portfolios to show how well — or badly — an investor would do by following a newsletter's advice.

Mr. Hubert's attackers have come up with the same criticisms year after year, but in learning that they were on a list of 1997's worst performers, his foes came up with a unique attack. This time, the critics in some cases gleefully proclaimed that Mr. Hubert was so dishonest that he was under investigation by the U.S. Securities and Exchange Commission.

The SEC, as is its policy, would not confirm or deny an investigation. Asked if the SEC was investigating him, Mr. Hubert said, "Of course not."

So what are the newsletter writers talking about? An innocuous reference to Mr. Hubert, apparently, in one of the letters he follows.

"We have been advised not to use the performance percentages generated by The Hubert Financial Digest," wrote Al Frank in the Sept. 2 issue of *The Prudent Speculator*. "The reasoning behind this SEC command is that we do not have work papers supporting said percentages."

Mr. Frank, who was using his No. 1 long-term ranking with Mr. Hubert in his advertising, was challenged during a routine SEC inspection in a way the SEC frequently challenges registered investment advisers who advertise: Prove how you got those hypothetical gains, or don't use them in your ads.

Because Mr. Hubert does not routinely give out information from his research, Mr. Frank could not prove to the SEC that an investor would have enjoyed the spectacular gains that Mr. Hubert attributed to him. So in the view of those letter-writers who scorn him, Mr. Hubert is "under investigation."

Mr. Frank said that he was incredulous that his words could have been misinterpreted this way.

"I never said he was under investigation," he said, adding that he would update getting from Mr. Hubert the documents that would satisfy the SEC and allow him to resume use of the ads.

(Bloomberg)

## Bullish Players Feed Financial Betting Boom

Betting on the financial markets is not for the faint-hearted, but the practice is enjoying a boom, according to Michael Spencer, chairman of London's largest financial bookie, City Index.

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The firm offers more than 100 markets to bet on. About 70 percent of business is financial and 30 percent related to sports. City Index's main rival is the smaller, privately owned IG index.

Mr. Spencer said City Index had few institutional clients, because most of them preferred to limit their risks through more formal financial instruments, such as futures and options.

One of the strangest bets City Index has offered recently is the number of currencies likely to be included in the first wave of European economic and monetary union next year.

The time in minutes before the first throw-in of a soccer match is another off-the-wall bet that was offered. But it was withdrawn after one season because it was open to potential manipulation.

Mr. Spencer said, "But the majority of clients prefer to stake their money on future movements of the FTSE-100 or the Dow Jones industrial average."

Having established City Index in the British market, Mr. Spencer is seeking to expand the service in Asia and Australia. He has three branches in Australia, although their services are limited to sports betting.

One of Mr. Spencer's pet hopes is to develop gambling on the Internet. With this in mind, he is discussing projects with the British media company Mirror Group PLC. He sees the days of dingy betting shops as numbered.

"Why would you go to a shop," he asked, "when you can place bets by phone in the comfort of your own home?"

For further information:

• CITY INDEX LTD. In telephone 0113 242 1200, or visit its Website at [www.cityindex.com](http://www.cityindex.com)

## In 1997, Assets Rose In French Mutual Funds

Total assets in French mutual funds rose 2.2 percent last year as investments surged into French and international stock funds.

According to the independent French mutual-fund monitoring company EuroPerformance, assets under management in mutual funds in France rose to 2,040 trillion francs (\$340 billion) in 1997 from 1,997 trillion francs in 1996.

The rise in stock markets around the world boosted investment in equity fund assets by 32.9 percent, to 480 billion francs. Last year, France's benchmark CAC 40 stock index rose 29.50 percent, while the U.S. Dow Jones Industrial Average rose 22.6 percent.

There was no change in assets invested in bond funds in France, at 420 billion francs, while money-market fund assets fell 11 percent, to 96 billion francs. France has the second-largest fund market in the world after the U.S.

"Performance was exceptional in 1997," Baudouin de Brie, chairman of EuroPerformance, said at a conference to present the results. "Overall, there was a wealth of activity."

Last year was the second straight year in which investment in equity funds increased.

(Bloomberg)

## Citibank to Offer Japan Dollar-Based Credit Card

Citicorp Card Service Inc., a subsidiary of the U.S. lender Citibank, is planning to introduce a credit card in Japan specifically for purchases made in U.S. dollars, the first such card in the country.

Cardholders will be able to pay for dollar purchases from dollar-denominated accounts at Citibank in Japan. Citibank expects the demand for these services to grow in Japan after rules restricting foreign-currency exchange are lifted in April, giving individuals and companies more incentive to conduct transactions in currencies other than yen.

## Correction

The Money Report article in the Jan. 17 editions about international dogs of the Dow strategies contained an error in the German listings. Deutsche Telekom should have been included in place of Deutsche Bank: the performance results, however, were for the latter.

Deutsche Telekom has a total return of 47.7 percent last year, compared with a gain of 47.11 percent in the overall DAX index, which is calculated on a total-return basis.

Ulrich Holland, the reader who brought the mistake to our attention, also alerted us to an interesting name he uses for the German dogs: *D-A-Lhunde*.

## Keebler to Brave IPO Market

**K**EEBLER FOODS CO. is hoping to work some of its elfin magic on investors. Keebler, the cookie company symbolized by a band of elf bakers inside a hollow tree, is expected to make an initial public offering worth up to \$275 million next week. With the new-issue market feeling skittish these days, there may be nothing more reassuring than the debut of this enterprise, which is 145 years old and measures its sales in billions of dollars.

Indeed, the offering, which includes 11.5 million shares priced at \$21 to \$24 each, may be smart as well as fortunately timed.

Flowers Industries Inc. certainly seems to think so. Flowers, a publicly traded baked goods company in Conoverville, Georgia, is one of the three companies that bought Keebler in a leveraged buyout in 1996. The other two, Arta Luxembourg S.A. and Bernmore Ltd., are selling a portion of their shares in the offering. But Flowers will

buy enough of those shares to raise its stake in Keebler to 57 percent from the current 45 percent.

**L**IKE OTHER INVESTORS, Flowers may be drawn in part by the company

## MEN'S FASHION / A SPECIAL REPORT

## Tailoring and Sportswear Merge to Make the Classic Cool

By Suzy Menkes

**P**ARIS — When Yohji Yamamoto sent out his entire fall menswear collection worn by women friends — albeit mostly androgynous types like the beanpole former model Ines de la Fressange and the skinny actress Charlotte Rampling — it marked a fashion moment.

After years of gender bending and role reversal, fashion seems to have reached a balance between the sexes that may be easier to achieve in the wardrobe than in the workplace.

Now men can wear fluffy sweaters and velvet suits as nonchalantly as women can don male tailoring. And with nothing less to prove about how outrageous men's clothes could be, the French fall shows, which run through the weekend, are about discreet luxury and a return to traditional tailoring values as seen through a prism of modern sportswear.

For new generation designers, it is now cool to be classic — providing that the eternal male wardrobe has absorbed evolutionary fashion changes in fabric and ease. The result? A revival of tailoring that incorporates the sportswear revolution and the overwhelming "casualization" of fashion. Read comfort fabrics, a super-light construction and athletic details.

Paul Smith, once a streetwear designer, continued his love affair with the aristocracy that began last season. Smith grabbed from milord's dressing room the glen checked suit, swankily cut with a single vent at the back, a terracotta tweed jacket and a pair of shrimp-pink cords, a chalk striped city suit and an embroidered velvet evening vest.

Those elements were mixed together to give an insouciant touch to the classics and to create from the traditional a modern-romantic wardrobe. Although the first, countrified part of the show, with its leafy backdrop, bird-embroidered vests and Duke of Windsor-style tailoring was the strongest, the urban velvet suits and short fitted coats were stylish.

But Smith insisted that seeing the show was only the half of it.

"You have to look inside!" he said, referring to the handmade shirts, the hand-stitched purple silk lining to a black velvet jacket and the ribbon of crimson velvet inside the waistband of Prince of Wales pants — old-style tailoring details that are now cherished.

In his own hard-man fashion, Thierry Mugler was also on the English gentleman tack, giving traditional men's suitings a witty spin by using dog-tooth check and herring-bone for sweaters; gray flannel boots completed the total look. Touchy-feely fabrics like chenille and boiled Shetland softened Mugler's military cut, and moved the line forward in a strong show.

To prove that young designers are into tailoring, the Transylvanian Udo Edling opened his show Friday of sleek modern suits with tailoring patterns drawn on the bodies of his models. Jackets made out of the canvas toile or just a pair of gray flannel lapels. Dirk Schoenberger from Cologne gave the traditional a twist by making tailored cargo pants with open pockets and putting thick knits over jackets.

Men's fashion is now about not statements but details — hence Hermes played gracefully with Hermes signatures like butter-soft leather, and if the parade seemed whisper quiet, it was also ultra-classy.

At Lanvin, Dominique Morlotti was also into discretion, adding only colors like wine-dreg red and bruised-plum to his palette of grays, chocolate to tobacco browns and beiges — although variety came with interesting textures from felted wools and alpaca through tough leathers and padded cottons. Since modern fashion is in the mix, Lanvin caught

that in gray parks matching the suit underneath as though sport and city had melded into one look. Morlotti is strong on outerwear, especially well-proportioned short, sporty coats and the occasional sweep of long.

Just when you thought that the short topcoat, from car coat to knee length, was the height of fashion, the fall collections are coming up with a challenge. At Issey Miyake, the designer Naoki Takizawa gave long coats his best shot, making them modernist in silicone-glazed cotton, as soft as jerseys when

the fabrics were washed in an alkaline solution, or luxurious in cashmere, with funnel necklines. They also came as beige scarf coats with fringing at neck and hem. Those neutral colors in inventive fabrics contrasted with the eye-popping batik prints that opened the show, but worked only when the pattern was reduced to faded dots on a shirt.

Joe Casely-Hayford showed a collection as if, in the British designer's words, a "hidden camera" had filmed tough guys in a public housing project. If you forgot the knickers (especially in fluffy mohair) and the low-slung pants with flopping front flaps, there were strong tailored pieces. The designer saw double, putting a short-sleeved sweater over a long version and using the double shirt as a signature. Casely-Hayford also endorsed the zippered cardigan that is becoming the alternative jacket of the new fall season.

The absence of color, with a predominance of gray, is putting designers with a strong palette out on a limb. Christophe Lemaire handled color well for his close-to-the-body, French schoolboy silhouette, playing with boucleau and purple for a felt coat and its scarf.

When you think of the subtlety of Claude Montana's past palette with its tender gradations of tone, his colors seemed out of sync not just with current fashion, but also with his own aesthetic. He showed orange mohair coats, a brown sweater flicked with a pattern of glowing flames and striped or window-pane checked suits in red and orange, although there were a few marginally quieter pieces in beige dog-tooth checks with the new softer shoulder and rounded neckline. And the designer was defiant about his get-out-your-sunglasses colors.

"It's time to wake up with color," Montana said.

Ignore the women models, and Yamamoto's show was still appealing. Taking a generous handle, he created long coats and his signature square-cut suits, but gave them a spine of overstitching at the back to emphasize the straight cut. Tailors' basting stitches were used as random decoration.

Modern romantic was also the story in this collection, spelled out in the tactful fabrics, including the fury collars on coats, fleecy jersey jackets, clotted cream or khaki cottons and damask-woven pattern.

But why those women, of different ages and types, to show the clothes?

"I started by thinking about who is my customer," the designer said back-stage. "My customers are not business men and I know that many women wear my men's clothes — and it seemed very normal."

**SUZY MENKES** is fashion editor of the International Herald Tribune.

*From left, Yohji Yamamoto's big coat and loose tailoring worn by the former model Ines de la Fressange; Hermès's sporty zippered cashmere cardigan with contrast color and flecked sweater with tailored pants, and Paul Smith's mismatched check suit and bird-embroidered velvet vest.*

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## That Indefinable Air Of French Male Chic

By Rebecca Voight

**P**ARIS — Haughty and notoriously self-critical, Frenchmen have a love-hate relationship with clothes and they are proud of it. While the English celebrate eccentricity, Italians radiate proud sensuality, and Americans are a clean-cut team, the French manage to be both in and beyond fashion.

Jean Paul Gaultier may put men in skirts, but he's never without his classic blue and white stripe. French sailor's sweater. And the chain-smoking characters dressed down in minimalist dark suits and skinny gray sweaters at a Paris gallery opening today wouldn't look out of place in one of Francois Truffaut's New Wave classics.

"I come from a country where nobody dresses up, not even to go to the theater, so France impresses me," said Mathias Vriens, editor in chief of Dutch, the European fashion magazine that is edited in Paris. "A young French boy in a bourgeois navy blue coat and boring flannel trousers can be more intriguing than someone in a pair of screaming orange pants by W&L."

Fred Sanchez and Fred Bladon, the "sound illustrators" for fashion shows from Jil Sander to Calvin Klein, describe themselves as "hyperclassic." Their choice is a Gallic razor's edge edit: suits by Helmut Lang and Prada, Brooks Brothers shirts, and "Chelsea" boots from the French shoemaker Weston.

This is topped with odd finds like a sky-blue scarf that Bladon recently unearthed in Old England, Paris's out-of-tune purveyor of style from across the Channel.

The Paris press attaché Guillaume Chaillet wears clothes to suit his urban life on a bicycle, but he doesn't look like New York City messenger. In khaki shorts from APC and a Saint James urleneck, he admits he likes being

chic. "I might wear a suit, but without a tie," he adds. "The French love fashion, but they're snobby enough to know how to protect themselves from it."

Séraphin Dupellier, a journalist and director on "Paris Modes," a weekly fashion television program, thinks French designers have lost touch with Frenchmen. "The Italians and the Americans have a strong sense of marketing. They always design with a customer in mind. In France, we have such a high opinion of creativity, the idea of who will wear the clothes often gets lost."

Reviving France's men's fashion identity is a focus for Hedi Slimane, designer at Yves Saint Laurent. "It's in the shoulders," says Slimane of the classic tailoring in the new collection inspired by the period around 1969 when Saint Laurent designed the menswear himself. "I'm trying to get back to a Saint-Germain-des-Prés attitude like a YSL duffle coat over a sweater."

The designer Christophe Lemaire is into the same period. He likes the rumpled chic of crooners like Serge Gainsbourg or Jacques Dutronc. "France hasn't had a clear style for the past 20 years," he laments. "Men on the street here look like traveling salesmen."

When he wants something new, Edouard Lehmann, the French photo editor who works with Mario Testino, visits the Parisian tailor Francesco Rovito, whose style hasn't budged since he made suits for Salvador Dalí.

The interior designer Jean-Louis Riccardi, currently renovating Paris's Crillon, says the French can be the worst-dressed men in the world. "Change is not a way of life for the French," it's their weakness, but also their strength, he says. "It's a tradition he feels at home with. 'I like strict clothes,'" he adds. "My ideal is the priesthood."

The architect Christian Biecher agrees. "French style at its best is the art of turning your back on fashion."

**REBECCA VOIGHT** is a freelance journalist based in Paris.

luxurious fabrics, including featherlight wools, baby alpaca, slippery velvets and, above all, cashmere, which made the news on everything right down to underwear.

To get the right mood for the season's soft tailored suits think Cary Grant, Humphrey Bogart and the most dapper of English country gentlemen circa 1940. While for resilient outerwear looks in "cooked" soft-boiled wool, moleskin, thick-cut corduroy, big knits and warm tweeds, think Brad Pitt in "Seven Days in Tibet."

The great outdoors proved inspirational at Tuscan Square which launched its first men's apparel line. The designer Pine Luongo used "Casentino" wool, a boiled wool worn by Tuscan

farmers at the turn of the century, and updated it on jackets, shirts, vests and even shoes.

"The idea is to bring a little rusticity to refined styles and show that traditional fabrics can be extremely modern with the right cut and color," said Luongo. As well as the nubby wools, Tuscan Square combined corduroy sports jackets with moleskin pants and loden vests. All were matched by earthy shades of olive green, clay, smoke and berry.

Staying outdoors, Canali, Hollywood's favorite suit maker, contrasted wool and cotton on sleeves and hoods in its new outerwear collection. As to the importance of next season's natural fabrics, the company's public relations

official, Elizabeth Canali, said, "The days of experimenting with technical fabrics are over. Now there's a minimalist sobriety in the shape and cut of men's clothing and, even though the fabrics may seem simple, they are extremely precious."

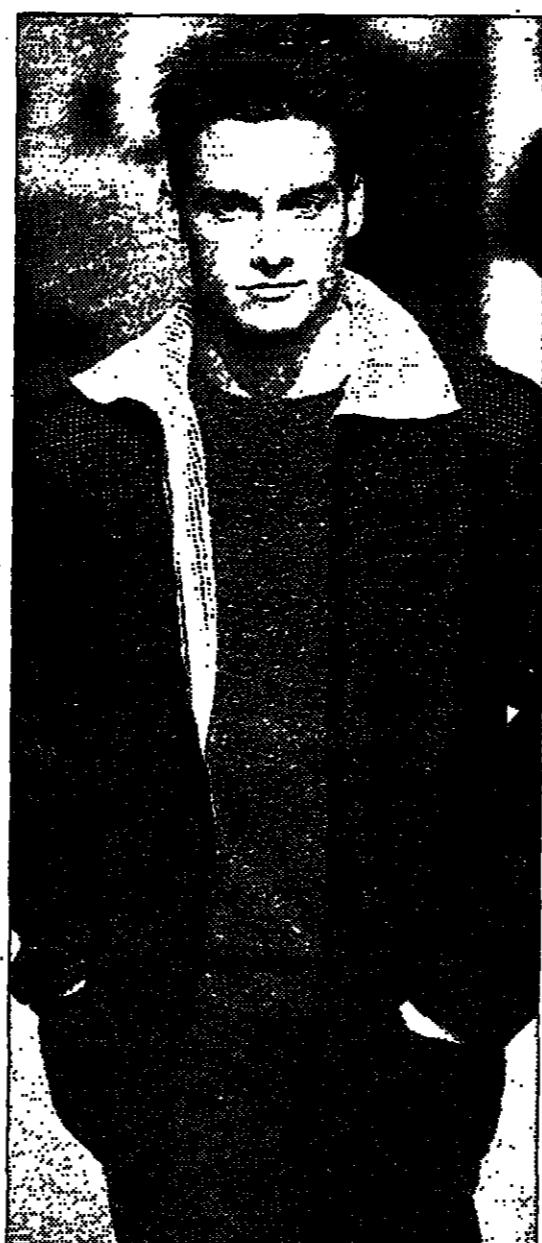
Marzotto, the textile and apparel giant, unveiled soft, loose-fitting corduroy jackets with a Prince of Wales check to its Prince line, while casual tweed suits and Shetland wool knits came center-stage in its trendy DVO line.

Another leading textile and clothing name, Ermengildo Zegna, showed lightweight anoraks made with its trade mark fabric Microtex. The peach-skin hand of this natural cloth makes act-

ive wear waterproof. Zegna was among those to deconstruct and take linings out from jackets to give minimal weights and shapes. In a work of tailored engineering, it presented the edge-cut cabin, in a weightless wool flannel, which took shape on the body.

Understated and pricey said it all in Valentino's floor-length alpaca overcoats, Maria Sartini's cashmere leisure suits, and Mondo di Marco's cashmere jeans. Even ties are set to be luxurious in the finest-gauge cashmere, flannel and wool.

**LUCIE MUIR** is a fashion writer based in Milan.



from the old stiff-upper-lip Austin Reed tailoring.

The changes at Austin Reed amount to a rebirth, argued Roger Jennings, retail managing director. "We've moved away from traditional British to modern British. We're much more in line with designer brands in styling and image, but not at the same price points."

Austin Reed has also set up a fully integrated design studio, now initiating styles and fabrics rather than operating through a team of buyers.

**T**HE American Chris Pendleton, director of merchandising and retail at Aquascutum, says the American approach to merchandising can benefit by "dusting off the British way of doing business."

Pendleton's approach at Aquascutum is less radical than the plans for Austin Reed and Burberry's. Aquascutum is testing the waters with a more fashion-forward product in the mid-1990s with disappointing results. The chief executive, James Pow, subsequently left to be replaced by Jiro Tanaka (Aquascutum was bought in 1990 by Renown, a leading Japanese manufacturer.)

The revised Aquascutum approach is described by Pendleton as "a redefinition and update of classic clothing with the focus on coats and tailoring." Aquascutum also has plans for a high-spend advertising campaign from March to put the brand back on the fashion map.

No one is pretending these historic brands can "do a Gucci" overnight. But, at long last, as the millennium comes to a close, a start has been made.

And who knows? Maybe someday we'll see them on the runway.

**ROGER TREDRE** is features writer for The Observer.



Christophe Lemaire's take on French chic with a pin-striped suit.

## Dusting Off the British Classics Venerable Brands Go Modern With Help From U.S.

By Roger Tredre

**L**ONDON — They never show on the runways. The fashion revolution of the 1980s passed them by. Their sales, led by classic English men's tailoring and coats, have ticked over pleasantly but unspectacularly.

If it has been a long slumber, but British classic clothing companies are waking up at last.

The most venerable brands in Britain — Burberry, Austin Reed, Alfred Dunhill, Daks-Simpson, Aquascutum — want a bigger slice of the fashion action.

Austin Reed leads the charge this month with the relaunch of its 98-year-old brand. The top-to-bottom spring cleaning marks a head-on bid for a new, younger customer. The strongest sign of their intent? The tennis star Greg Rusedski has been signed up for an advertising campaign.

Next off the block will be Burberry, which last fall head-hunted the president of Saks Fifth Avenue, Rose Marie Bravo, to lead what is being billed as the most radical overhaul in the company's history.

Bravo, who describes Burberry as a "world-class luxury brand," is keeping her plans under wraps. But the launch of an upfront new advertising campaign next month, photographed by Mario Testino and featuring the model Stella Tennant, gives a strong hint that Burberry, with sales of £270 million (\$432 million) last year, is heading for fashion with a capital F.

History has proved both burden and blessing to Britain's classic companies. "British companies have been clogged up by their past," said Jeremy Franks, chief executive of Daks-Simpson. "The successes of the past should be a platform for the future."

Names such as Daks-Simpson and Austin Reed are making proud play of one of their strongest selling points — men's tailoring made in Britain.

Other companies which have moved away from their roots in manufacturing terms are refocusing on their Britishness. Alfred Dunhill, which appointed Hackett founder Ashley Lloyd-Jones as creative director last summer, has launched a capsule collection titled "Made in England."

But in the modern fashion world, it is no longer enough to be simply classic. The serious global players have to offer something more: a sense of progression, of engagement with the modern fashion world.

Daks-Simpson, which was acquired by the Japanese licensee Sankyo Seiko in 1991, is expanding its sportswear offer with the launch of a chino collection for next fall.

Franks, together with other British executives, admits there are lessons to be learned from the Americans — not least from Ralph Lauren who turned British style into an American success story.

At Burberry, Bravo is assembling a galaxy of American retailing talent. In recent weeks, she has brought in J. Stanley Tucker from Saks Fifth Avenue to run menswear, Michael Smith from Barneys to run womenswear, and Robin Marino, formerly of Donna Karan and Ralph Lauren, to run accessories.

**A**ustin Reed is also learning from the Americans. Key innovations include new lines Reed Men and Sport Reed, a move into sportswear and the bridge sector. In a lavish trade presentation last month, the company said it saw major potential in the "smart-casual" market.

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The new lines mix soft construction and high-tech fabrics — a world away

## At Florence Fair, Soft Natural Fabrics Define 'Minimalist Sobriety'

By Lucie Muir

**F**LORENCE — Just days before the swanky menswear collections in Milan, Italian apparel and accessories designers unveiled their fall/winter 1998-99 at the prestigious menswear show Pitti Uomo in Florence. While Milan captured the short-term trends from top-notch designers, Pitti Uomo gave a long-term vision of menswear from 632 clothing and textile manufacturers in the medium to high-end market niche.

Over the four-day show, the focus was on

luxurious fabrics, including featherlight wools, baby alpaca, slippery velvets and, above all, cashmere, which made the news on everything right down to underwear.

To get the right mood for the season's soft tailored suits think Cary Grant, Humphrey Bogart and the most dapper of English country gentlemen circa 1940. While for resilient outerwear looks in "cooked" soft-boiled wool, moleskin, thick-cut corduroy, big knits and warm tweeds, think Brad Pitt in "Seven Days in Tibet."

